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MONEY

Another Go-Round for Glenn

First American in Orbit Will Become Oldest Spaceman

By Francis X. Clines
New York Times Service

WASHINGTON — In a wonder of aeronautics and geriatrics, Senator John Glenn, the first American to orbit the earth, won his campaign Friday to be rocketed back into space at the age of 77.

NASA's decision that the still-spry, ever-ebullient hero of the pioneer U.S. space program will go back into orbit for about 10 days this autumn — after his 77th birthday in July — was a source of coast-to-coast smiles of amazement among Americans who cherish the memory of Mr. Glenn's dramatic three-orbit ride 36 years ago.

In that historic flight, Mr. Glenn's image of mid-American modesty and freckle-faced mastery of his mission was an instant restorative for national morale badly eroded in the Cold War years by the Soviet Union's alarming superiority in early spaceflight.

"Needless to say, I'm excited to be back, and I'm honored and I'm privileged," Mr. Glenn said Friday. "The important thing is the opportunity that this gives to take us in some new directions in research."

[In a sign of how far the National Aeronautics and Space Administration has moved beyond the Challenger disaster, it also announced that an Idaho school teacher, Barbara Morgan, had the go-ahead to train for a future mission. The Associated Press reported.

[Ms. Morgan was waiting on the ground at the launching site as a backup when another teacher, Christa McAuliffe, died aboard the shuttle Challenger when it exploded in 1986. Nonessential personnel have been largely barred from the shuttle since then.]

In his new trip, Mr. Glenn won a place aboard the Discovery shuttle flight in October in the name of partaking in experiments about space and the aging process.

"We think we have a pretty solid rationale for it," a high-ranking NASA official said, noting that the agency had six space medicine experts prepared to discuss the issues surrounding Mr. Glenn's return to orbit.

[NASA's administrator, Daniel Goldin, said Friday that spaceflight had become safer since the

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Senator John Glenn: "I'm excited to be back."

Turkish Court Bars Islamist Party and Ex-Prime Minister

Ruling Alleges Subversive Plans; U.S. and EU Fear for Democracy

By Stephen Kinzer
New York Times Service

ISTANBUL — The nation's highest court banned the largest political party in Turkey on Friday, ruling that it harbored a subversive agenda and was working to replace the secular order with one based on Islam.

The court also banned seven leaders of the Welfare Party from all political activity for five years. Among them was the party leader, Necmettin Erbakan, who served as prime minister from June 1996 until June 1997.

"This court has decided to close the Welfare Party because of evidence confirming its actions against the principles of the secular republic," Ahmet Necdet Sezer, chief judge of the Constitutional Court, said in announcing the verdict.

Mr. Erbakan urged his supporters Friday to remain calm and ignore "provocateurs who might want to take advantage of this situation."

He said he would appeal the decision to the European Court of Human Rights.

A leading figure in Welfare, Abdullah Gul, called the decision "a shadow on Turkish democracy."

He added: "We are the mainstream and backbone of this country. A large part of the population supports us. In a democratic society this group must be represented. We will have another political party."

The police in Ankara and Istanbul strengthened patrols around mosques and Welfare offices, but no disturbances were reported. Friday prayers proceeded normally. Some Turkish secularists hailed the decision, but many foreigners, including those who consider themselves friends of Turkey, said it would hinder the country's efforts to portray itself as a fully functioning democracy.

The United States and several countries in the European Union had urged the government to do whatever possible to prevent such a decision. After the verdict was announced, the British Embassy in Ankara issued a statement saying: "We are concerned with the implications for democratic pluralism and freedom of expression, and will be discussing the closure of Welfare urgently with our EU partners."

The court acted under a series of laws, including one that prohibits efforts "to change the secular character of the Turkish Republic" and another that bans political parties from seeking political advantage "through the use or misuse of religion or religious beliefs."

The constitution defines secularism as one of the nation's basic principles, and another article forbids repeal or even discussion of repealing that definition.

Military commanders and other secularists say the restrictions are necessary to preserve what they describe as the world's only Muslim democracy. Others say they believe they limit voters' right to choose the future they want for their country and themselves.

The court's ruling was based in part on public statements by Welfare leaders that the prosecutor submitted as proof of what he called the party's subversive agenda.

Among the statements were Mr. Erbakan's assertion that democracy "is not an end but a means for us."

The court also heard a tape of another

Welfare leader, Oguzhan Asilturk, saying: "The order we shall bring has a big difference, as big as mountains, from the secularist and democratic order. Ours is on the mountain top, and democracy is in the abyss."

In its defense, the party did not deny that such statements had been made, but said it could not be responsible for the public statements of "all our 4 million members."

Some news commentators predicted that the decision would marginalize pro-Islamic forces and usher in an era of political stability. Others asserted that former Welfare leaders would portray

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Top Ayatollah Assails U.S. but Hails Overture By Khatami

By Elaine Sciolino
New York Times Service

TEHRAN — In a sermon charged with hatred and rage, Iran's spiritual leader ruled out on Friday any dialogue with the United States, branding it "the enemy of the Iranian nation" and the "Great Satan."

But buried in the 70-minute address by Ayatollah Sayed Ali Khamenei were also words of praise for President Mohammed Khatami and his "message to the American people" via a CNN interview aired Dec. 7.

In that interview, Mr. Khatami ruled out the direct government-to-government dialogue that the United States has been seeking. But he paid tribute to the "great American people" with exceptionally warm language and proposed cultural exchanges as a way to "crack the wall of mistrust" that exists between Iran and the United States.

Commenting on the interview to thousands of worshippers gathered for Friday prayers at Tehran University, Ayatollah Khamenei said: "I must say that in that interview all our main principles regarding ties with the United States were clearly stated. I listened to it carefully. All the things that should be said were said — necessary things about ties with America, dialogue with America, Israel and Palestinian militants were said. Everything was very good. I prayed for him, for the foreign minister and for other officials. They took good stands."

Ayatollah Khamenei, the highest authority in the country, appeared to dismiss differences between himself and Mr. Khatami as nothing more than "a tone of speech and difference of taste."

He referred to Mr. Khatami more than once as "the respected president," underscoring the point Mr. Khatami made

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Japanese Stocks Soar 6% on Hope For Turnaround

Government Action to Stimulate Stagnant Economy Is Expected

By Mary Jordan
Washington Post Service

TOKYO — The Tokyo stock market roared back Friday with its highest increase since November, a 6 percent rise, as some analysts said international confidence was growing that Japan's economy would revive.

There seemed to be no single factor responsible for the 924.47-point rise in the Nikkei Stock Average, but among the reasons cited by analysts were new

Rebound in Japan bolsters Wall Street. Page 10.

measures to strengthen banks and strong suggestions that the Japanese government was going to unleash a round of measures to stimulate the economy.

The index of 225 leading stocks traded on the Tokyo Stock Exchange closed at 16,046.45 points.

Koji Omi, chief of the Economic Planning Agency, said the government was reviewing how to further spur the stagnant economy, and Prime Minister Ryutaro Hashimoto hinted, in a meeting with members of the governing Liberal Democratic Party, that the party may consider further tax cuts and a government spending package, perhaps public-works projects.

These would be in addition to the nearly daily announcements lately of new efforts to bolster Japan's markets, banks, corporations and weakening yen.

"Both the government and the public sector together are moving to avoid any new uncertainties over the financial system," said Masaaki Higashida, a strategist with Nomura Securities Co. "There is a sense of relief that finally government measures have caught up with the markets."

Mr. Higashida also said: "It is possible that today will be viewed as the beginning of a turnaround. From now on, the markets should stabilize."

But not everyone thinks the worst is over. "I still can't tell if this is a complete turnaround," said Shinichi Ichikawa, strategist at Credit Lyonnais Securities. "But several factors combined to affect the market today." He added that "the extreme pessimism was wrong" and that government measures had surpassed market expectations.

President Bill Clinton this week urged Mr. Hashimoto not to delay announcing new measures to start the economy, according to Japanese media reports. Mr. Clinton's phone call was also seen here as another reason for the turnaround.

Many analysts say that the accumulated effect of

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Members of Scott Ritter's inspection team preparing Friday to leave UN headquarters in Baghdad. The Americans' departure ended a standoff with the Iraqis, who had refused to let them work.

UN Seeks to Allay Iraqi Suspicions

Top Inspector's Promise: Full Disarmament Will End Sanctions

By Joseph Fitchett
International Herald Tribune

PARIS — The United Nations' chief weapons inspector on Iraq offered a clear road map to Baghdad on Friday on how to accelerate the disarmament process that could lead to the end of sanctions.

To erase any doubts about the fairness and speed of the inspection process, advisory committees will be set up at the United Nations to review evidence about Iraq's clandestine weapons programs, the inspector, Richard Butler, said. These panels will include Iraqi experts.

As a result of the planned new procedures, diplomats said, the United Nations is likely to decide within a few weeks to shift to a less intrusive system of monitoring Iraq's nuclear weapons programs on the grounds that Baghdad has disclosed its covert activities.

In announcing this procedural move along with recruitment of more specialists from France and other countries, Mr. Butler, chairman of the special committee

charged with disarming Iraq, insisted that Baghdad would have to comply fully with the UN-mandated program of disarmament, including data on experiments widely believed to include biological weapons, before economic sanctions are lifted.

"If Iraq complies, I can promise that we will not move the goalposts and that sanctions will be lifted," Mr. Butler said at a news conference in Paris.

He met with the foreign and defense ministers of France, which is the current chairman of the UN Security Council, en route to Baghdad to talk Monday about the continuing dispute over inspections.

Striking a new balance between UN determination and reassurances about Iraq's future, Mr. Butler said: "There is light at the end of the tunnel, but the track runs through the same tunnel."

The tunnel metaphor has been frequently used by Western officials to explain their view that President

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IMF Storms Indonesia's Family Citadel

By Philip Shenon
New York Times Service

NEW YORK — Only hours after President Suharto of Indonesia signed an agreement that required his family to give up some of the crown jewels of their multimillion-dollar financial empire, his youngest son stepped from his royal blue Rolls-Royce and into the headquarters of Indonesia's national car project.

"There are many ways to carry on," insisted Hutomo Mandala Putra, 35, whose automobile company is among the family businesses that have lost lucrative government concessions under the rescue package drafted by the International Monetary Fund. "Don't be concerned."

But despite Mr. Hutomo's reassuring words, the president and his six children have reason for concern. In the 32 years of his rule, Mr. Suharto and his family have firmly entrenched themselves in the economy of Indonesia and now find their financial empire under threat.

Interviews in Indonesia and interna-

"If Suharto lives up to his promises, the family will have to sacrifice much of its business empire."

tional financial capitals, as well as public documents from the companies involved, offer the outlines of one of the world's great family fortunes, with assets that stretch across the 13,000 islands of the Indonesian archipelago and around the globe.

"This is not South Korea or Thailand or one of the other countries that have turned to the IMF," said a Western ambassador here. "This is not a government run by common politicians or bureaucrats." It is much closer, he said, "to a monarchy, with a king whose authority has never been questioned, and whose children believe their wealth is God-given."

The agreement demanded by the IMF would eliminate many of the government concessions and licenses that have enriched the Suharto family.

Mr. Hutomo's car company lost generous tax breaks that allowed him to undersell his foreign competitors, and he was stripped of his monopoly on the sale of cloves, the key ingredient in the sweet-smelling cigarettes preferred here.

A \$1.6 billion power plant project sponsored by his eldest sister, Sio Hardiyanti Rukmana, has been canceled. A bank owned by the president's middle son, Bambang Trihatmodjo, has been closed.

The president's family and closest friends control the production of paper, cement and plywood — cartels that must be dissolved by Feb. 1 under the terms of the rescue plan.

But as the IMF learned as it tried to execute its first, less demanding reform plan for Indonesia last fall, signing a bailout accord with President Suharto is far easier than carrying it out.

A few economists, bankers and diplomats who have studied the business operations of the Suharto family believe that they will give up any part the family fortune without a struggle. No one can be certain what the 76-year-old Indonesian leader will do if his family decides to fight.

"If Suharto lives up to his promises this time, the family will have to sacrifice much of its business empire," said a senior Clinton administration official involved in the bailout negotiations. "But the question, as before, is whether

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AGENDA

Chairman of Fiat Faces Bribe Trial

Cesare Romiti, the embattled chairman of Fiat, was indicted along with two other executives of the company on allegations of corruption and bribery in connection with a Rome subway construction project, state prosecutors said Friday.

The indictment is likely to deal a severe blow to Mr. Romiti, 74, who was convicted last year on charges of tax fraud and corruption. Page 4.

The Dollar		
	Friday @ 4 P.M.	previous close
New York	1.8333	1.8315
DM	1.8333	1.8315
Pound	1.834	1.8305
Yen	129.255	129.87
FF	6.1425	6.135

The Dow		
	Friday close	previous close
+61.78	7793.55	7891.77

S&P 500		
	Friday @ 4 P.M.	previous close
change	10.78	961.51
		950.73

The IHT on-line www.ihl.com

Kohl Sees Political Gold In the Birth of the Euro

By John Schmid
International Herald Tribune

FRANKFURT — Trailing in the polls has become routine for Helmut Kohl, the "eternal chancellor" who rallied to win elections in 1987, 1990 and 1994.

Lagging again in the run-up to the Sept. 27 vote, the 16-year veteran has already drafted his latest comeback plan.

This time, however, the strategy seems to fly in the face of conventional thinking: Even though a clear and consistent majority opposes the new European common currency, Mr. Kohl's advisers say confidently that their leader plans to do everything he can to make his tireless support for the euro a central, if not decisive, campaign issue.

In theory, Mr. Kohl is setting himself up for a massive loss of votes, especially when one considers the steady stream of polls that show anywhere from 54 percent to 71 percent of Germans opposed to giving up the Deutsche mark.

The chancellor's advisers, with their eyes on a different batch of polling statistics, think differently.

Mr. Kohl, 67, has little to lose, campaign officials say, as long as the leaders of the European Union, as expected, meet in early May to select the inaugural nations for the 1999 launch of the euro.

driving home to the Germans that their mark will be gone in less than a year.

With that decision, German distrust of the euro may overnight become a much more widespread anxiety over an uncertain economic future with an untested currency in what the myriad German critics of the euro call a risk-fraught experiment to amalgamate the sturdy

NEWS ANALYSIS

mark with a host of more inflation-prone economies.

Appealing directly to the nation's aversion to risk, the "Euro Chancellor" intends to reframe the debate: Now that Germany is getting the new currency, like it or not, who do you trust to manage what comes afterward?

According to Dieter Walz, director of political and election research at the Emnid polling institute, Mr. Kohl has the potential to tap into a groundswell of unexpected support as he seeks a record fifth term.

Asked which politicians can best smooth out any economic and political turbulence in the wake of the currency union, 56 percent of Germans polled by Emnid favored Mr. Kohl and his center-right Christian Democratic Union party.

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Newsstand Prices

Andorra	10.00 FF Lebanon	LL 3,000
Antilles	12.50 FF Morocco	16 Dh
Cameroon	1,800 CFA Cote d'Ivoire	10.00 CDF
Egypt	EE 5.50 Réunion	12.50 FF
France	10.00 FF Saudi Arabia	10 SR
Gabon	1,100 CFA Senegal	1,100 CFA
Italy	2,800 Lire Spain	225 Ptas
Liby Coast	1,250 CFA Tunisia	1,250 Dh
Jordan	1,250 JD U.A.E.	10.00 Dh
Kuwait	700 Fils U.S. Mil. (Eur.)	\$1.20



Europe Seeks Bigger Role In Mideast Peace Process

By Barry James
International Herald Tribune

BRUSSELS — Arguing that Europe contributes the bulk of financial support for the Palestinian Authority and is getting little return on the investment, the European Commission called Friday for an equal voice with the United States in the Middle East peace process.

In a document made public to coincide with separate talks next week between President Bill Clinton and Prime Minister Benjamin Netanyahu of Israel and the president and Yasser Arafat, head of the Palestinian Authority, the commission said Palestinians were worse off in economic terms than before the peace process began under U.S. and Soviet co-sponsorship in 1991.

The commission, the Union's executive arm, said that because the EU had contributed \$1.8 billion to the Palestinian Authority in the past four years, it should have a "substantially enhanced" role in coordinating international assistance. It was not specific about what it might do if the United States thwarted this ambition, although it pointed out that the EU's pledge of aid expires this year.

Manuel Marin, EU commissioner for Middle East policy, said the commission believed that aid should be continued for five years, but that it would be difficult to justify sending more money without better prospects of success in the peace process.

The commission also stated that its "complementary" role in the process, giving the United States the dip-

lomatic and political lead, "has worked imperfectly."

"The European Union has so far played a constructive role," the commission said in a report destined for EU governments and the European Parliament. "This role would be much improved if the parties and the U.S. acknowledged the need for the European Union, both at ministerial level and through its special envoy, to participate alongside the U.S. in all negotiations. The Union's envoy to the Middle East is Miguel Angel Moratinos of Spain."

The document continued: "The European Union has contributed by itself over half of the financial resources to the peace process. Because of this, it has more experience, wider links and a considerable political capital."

If international aid is renewed, the commission added, "it must be redefined."

"It is clear that the basic shareholder should be the key coordinator," it said.

The commission also said that Europe, which has invested more than 1.68 billion ECUs in the peace process, had exceeded its aid commitments, while donor fatigue had set in elsewhere.

Because of that, and the blockage of the peace process, it said living conditions for the Palestinians had sharply declined, with more than 40 percent unemployment, plummeting private investment and stalled development.

It said the sealing off of Palestinian territory by Israel to prevent terrorism was partly to blame for the decline. But the commission said its aid had allowed the peace process to survive "under truly dramatic circumstances."

The commission did not mention Mr. Netanyahu by name, but said that since he took office the situation had moved from hopes for a negotiated solution to a "general climate of regional instability" and a state of "persistent deadlock."

It also slammed the recent U.S.-sponsored Middle Eastern Economic Conference in Qatar as a "big waste of financial and political efforts."

Diplomats said Israel would be certain to oppose a heightened EU role in the peace process because of what it sees as a pro-Palestinian bias. EU governments have shown irritation with Israel's policy of building new settlements in the disputed West Bank.

EU Addresses Gap With U.S. Over Iran

Talks Aim to Ease Sanctions Feud

WASHINGTON — European Union officials have presented the United States with a list of steps they are taking to prevent Iran from acquiring weapons of mass destruction and spoke out strongly on the need to oppose Tehran's sponsorship of terrorism.

Although the United States has sought such gestures as part of a compromise deal that could avoid Iran-related sanctions on foreign companies, Secretary of State Madeleine Albright said the two sides still had not reached agreement.

"We and the EU have our differences over how to achieve the changes we seek, but we are working actively to achieve convergence in our approaches to Iran while faithfully implementing U.S. law," she said at a press conference Thursday.

Mrs. Albright made her remarks after talks with the British foreign secretary, Robin Cook, whose country just assumed the rotating presidency of the European Union, and Sir Leon Brittan, vice president of the European Commission, the EU's executive body.

The United States and Europe have tried unsuccessfully for months to negotiate a compromise that would defuse a dispute over U.S.-mandated sanctions on foreign

companies that do business in Cuba and with Iran's energy sector.

The dispute has strained relations between the allies and has led to threats of a trade war.

Mr. Cook said he had presented Mrs. Albright with a memo "covering all the things the European countries are doing to halt the equipment and material for weapons of mass destruction from getting into the hands of Iran."

He gave no details of the document, but said that he was eager to work with the Clinton administration to improve on these efforts.

The foreign secretary condemned the Iran-Libya Sanctions Act, under which Washington punishes foreign companies trying to invest in Iran's oil and gas sectors, saying that it was unacceptable to European states and counterproductive.

"Isolating Iran won't hit the target we want," Mr. Cook said.

"Economic measures will not have any serious effects on Iran's attempts to acquire weapons of mass destruction," he added.



FROM THE RIGHT — Jörg Haider, leader of the far-right opposition in Austria, calling on Friday for tax cuts to stimulate growth and job creation.

A Postwar Eavesdropping Taboo Falls in Bonn

By Alan Cowell
New York Times Service

BONN — Dismantling a cardinal principle of postwar Germany's protection of individual privacy, Parliament on Friday approved a law that would permit the police to bug private homes for the first time since the Nazi era.

Previously, the authorities were able to tap telephones in exceptional circumstances relating to crime and terrorism, officials at the Justice Ministry said, and to use listening devices to monitor such emergencies as hostage-taking. But the constitution guaranteed the inviolability of private homes from all forms of eavesdropping, including long-range or concealed electronic devices.

By a vote of 452 to 184, the lower house of Parliament narrowly secured the two-thirds majority necessary for changing the constitution, ostensibly to give the police greater powers to combat organized crime and money-

laundering. But the move drew an outcry from civil rights campaigners and from journalists, doctors and lawyers fearful that conversations with sources, patients or clients could now be overheard. Only priests, defense lawyers meeting accused criminals and legislators will be lawfully protected from eavesdropping.

The German Journalists' Association said it was considering an appeal to the highest constitutional court against the new law, which still has to be approved by the upper house of Parliament, composed of representatives of the nation's 16 federal states, most of which are controlled by the opposition Social Democratic Party.

"This is about nothing less than the constitution and the elementary right of every individual to a core of privacy," asserted a commentary Friday in the liberal Frankfurter Rundschau newspaper. To secure evidence, the newspaper said, police and prosecutors would be permitted to eavesdrop on "private homes, hotel rooms,

company offices, lawyers' rooms, medical practices, labor rooms, drug advice centers and editorial offices."

"Even if the new law leads to the downfall of this drug-dealer or that extortionist, this attack on the constitution is not justified," it said.

And Karsten Vilmann, head of the leading physicians' professional association, declared: "Medical practices and hospitals are places where people find protection. An intrusion into this area raises questions about medical confidentiality and thus the basic rights of the patients."

The concerns reflect Germany's postwar obsession with privacy and information protection laws as an antidote to the wholesale intrusions of the Gestapo, Hitler's secret police. By contrast, modern Germany is laced with almost as many rules to safeguard personal privacy as there are laws to regulate individual behavior: one set of rules, for instance, forbids phones that allow people to listen in on ex-

pect to open the Michael Jordan Steakhouse in March.

Travelers to Kenya, where an outbreak of Rift Valley Fever is thought to have killed 300, should take precautions against mosquitoes which transmit the virus, the World Health Organization said Friday. David Heymann, director of WHO's division of emerging diseases, said the outbreak was also believed to have killed 150 in Somalia.

Ben-Gurion International Airport, Israel's main airport, will close for two hours a day from Tuesday unless a nearby garbage dump that attracts flocks of feeding birds is shut down, the Transport Ministry said Friday.

may mow the lawn or wash the car. The vote followed negotiations between Chancellor Helmut Kohl's dominant Christian Democratic Union and other political groups traditionally more protective of civil rights.

Free Democratic Party, the junior coalition partner, said the vote spelled a "black Friday" for Germany's constitutional principles.

But Manfred Kanther, the Christian Democrat interior minister, said the new measures will "be used only rarely to fight crime."

In recent years, Bonn has been increasingly worried by the spread of organized crime groups, starting with the Italian Mafia and Turkish and Kurdish narcotics networks.

In a statement seeking to justify the bill, Jörg van Essen, a leading Free Democrat, said the measures would be used only in cases where there were strong suspicions of criminal activity and when there was no other way of gathering evidence.

TRAVEL UPDATE

Grand Central's Tasteful Additions

NEW YORK (NYT) — Grand Central Terminal, which has been undergoing major renovations, will be getting more big-name restaurants.

Leases were signed this week for two major restaurant spaces. Arrigo Cipriani, who owns Harry's Bar in Venice and Harry Cipriani in the Sherry-Netherland Hotel in New York, plans to build a restaurant on the southwest balcony. Matthew Kenney, the owner of Matthew's, Mezzze and Monzu restaurants in Manhattan, has taken over the southeast corner, opposite the Cipriani location.

They join Penny and Peter Glazier and their partners, who

expect to open the Michael Jordan Steakhouse in March.

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WEATHER

Europe				Forecast for Sunday through Tuesday, as provided by AccuWeather.				Asia			
City	Today	High	Low	City	Today	High	Low	City	Today	High	Low
Algeria	17/02	10/02	0	London	10/02	14/02	8	Algeria	10/02	14/02	8
Amsterdam	10/02	14/02	8	Madrid	10/02	14/02	8	Amsterdam	10/02	14/02	8
Athens	14/02	18/02	12	Moscow	10/02	14/02	8	Athens	14/02	18/02	12
Berlin	10/02	14/02	8	New York	10/02	14/02	8	Berlin	10/02	14/02	8
Bombay	28/02	32/02	24	Osaka	10/02	14/02	8	Bombay	28/02	32/02	24
Buenos Aires	10/02	14/02	8	Paris	10/02	14/02	8	Buenos Aires	10/02	14/02	8
Calcutta	28/02	32/02	24	Rome	10/02	14/02	8	Calcutta	28/02	32/02	24
Chongming	28/02	32/02	24	Stockholm	10/02	14/02	8	Chongming	28/02	32/02	24
Colon	28/02	32/02	24	Tokyo	10/02	14/02	8	Colon	28/02	32/02	24
Delhi	28/02	32/02	24	Washington	10/02	14/02	8	Delhi	28/02	32/02	24
Dubai	28/02	32/02	24					Dubai	28/02	32/02	24
Edinburgh	10/02	14/02	8					Edinburgh	10/02	14/02	8
Helsinki	10/02	14/02	8					Helsinki	10/02	14/02	8
Hong Kong	28/02	32/02	24					Hong Kong	28/02	32/02	24
London	10/02	14/02	8					London	10/02	14/02	8
Los Angeles	10/02	14/02	8					Los Angeles	10/02	14/02	8
Lyons	10/02	14/02	8					Lyons	10/02	14/02	8
Manila	28/02	32/02	24					Manila	28/02	32/02	24
Moscow	10/02	14/02	8					Moscow	10/02	14/02	8
Mumbai	28/02	32/02	24					Mumbai	28/02	32/02	24
Nairobi	28/02	32/02	24					Nairobi	28/02	32/02	24
Paris	10/02	14/02	8					Paris	10/02	14/02	8
Perth	10/02	14/02	8					Perth	10/02	14/02	8
Rangoon	28/02	32/02	24					Rangoon	28/02	32/02	24
San Francisco	10/02	14/02	8					San Francisco	10/02	14/02	8
Seoul	10/02	14/02	8					Seoul	10/02	14/02	8
Singapore	28/02	32/02	24					Singapore	28/02	32/02	24
Sydney	10/02	14/02	8					Sydney	10/02	14/02	8
Taipei	10/02	14/02	8					Taipei	10/02	14/02	8
Tokyo	10/02	14/02	8					Tokyo	10/02	14/02	8
Yokohama	10/02	14/02	8					Yokohama	10/02	14/02	8

Studies Discount the Mars Meteor

New York Times Service

NEW YORK — Two new chemical studies have produced evidence that significant amounts of the organic compounds in a Martian meteorite found in Antarctica are terrestrial contamination, not possible traces of past life on Mars.

Scientists conducting the research said the findings dealt

a severe blow to the contention that the potato-size meteorite holds important clues that possible microbial life existed on Mars 3.6 billion years ago, when the planet had a warmer, more watery environment.

But one of the research groups conceded that its results did not rule out the presence in the rock of minute amounts of life-related compounds of Martian origin.

Neither study examined one type of organic molecule, polycyclic aromatic hydro-

carbons, found in easily detectable amounts in the meteorite. Those hydrocarbons' presence served as one of the compelling pieces of evidence leading the National Aeronautics and Space Administration and university scientists in 1996 to identify the meteorite, ALH84001, as Exhibit A in any case for primitive Martian life.

The reports of the first tests of organic material in the Mars meteorite were published Friday in the journal Science.

Austria Returns 5,300-Year-Old To the Italians

BOLZANO, Italy — The frozen remains of a prehistoric man, believed to be the oldest remains in the world, were returned to Italy on Friday, ending a six-year dispute with Austria.

The nations had squabbled over the 5,300-year-old corpse since 1991, when it was found by tourists on the Similaun glacier in the Ötztal valley and whisked off to Innsbruck by Austrian experts. Italy claimed the remains when surveyors ruled they had been found 10 meters (33 feet) on the Italian side of the Ötztal Alps. The remains will go on public view March 28.

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After 25 Years, Public Still of Two Minds on Abortion

By Carey Goldberg and Janet Elder
New York Times Service

NEW YORK — Twenty-five years and nearly 30 million abortions after the Supreme Court's landmark Roe v. Wade decision, the American public still largely supports legalized abortion but says it should be harder to get and less readily chosen, the latest New York Times/CBS News Poll shows.

At base, the country remains irreconcilably divided over what many consider the most divisive American issue since slavery, with half the population considering abortion murder, the poll found.

Despite a quarter-century of lobbying, debating and protesting by the camps that call themselves "pro-choice" and "pro-life," that schism has remained virtually unaltered.

But beneath that basic divide, public opinion has shifted notably away from general acceptance of legal abortion and toward an evolving center of gravity: a more nuanced, conditional acceptance that some call a "permissible but discouraged" model.

Almost half of those polled said it was too

easy to get an abortion these days. Public support for legal abortion plummeted from 61 percent if it is performed in the first three months of a woman's pregnancy to only 15 percent in the second three months. And a few reasons sometimes given for choosing abortion have become less persuasive.

In 1989, for example, when people were asked whether a pregnant woman should be able to get a legal abortion if her pregnancy would force her to interrupt her career, 37 percent said yes and 56 percent said no; in 1998, only 25 percent said yes and 70 percent said no.

Similarly, in 1989, 48 percent thought an interrupted education was enough to justify a teenage girl's abortion; that dropped to 42 percent this year.

Support remained overwhelming, however, for women who sought abortions because they had been raped, their health was endangered, or there was a strong chance of a defect in the baby.

The survey, which was the first New York Times/CBS News Poll devoted to abortion since 1989, was based on telephone interviews with 1,101 people around the country

and has a margin of sampling error of plus or minus three percentage points.

Overall, since 1989 supporters of generally available legal abortion have slipped to 32 percent from 40 percent and the ranks of those who say it should be available but stricter have increased to 45 percent from 40 percent. The contingent that said abortion should not be permitted comprised 18 percent in 1989 and is now at 22 percent.

The public's attitude toward abortion largely lines up with President Bill Clinton's phrase that abortions should be "safe, legal and rare," said Elizabeth Adell Cook, a professor of government at the University of Maryland and co-author of "Between Two Absolutes," an analysis of public opinion on abortion.

Studies indicate an emerging consensus that "it should be allowed under some circumstances but it isn't to be taken too lightly," Ms. Cook said. "People think if there's a serious enough reason, it's O.K., but if they don't think the reason is compelling enough, they think it's wrong."

That willingness to judge applies even closer to home, the poll found. Among the 58 percent of respondents who said someone

they knew well had undergone an abortion, 30 percent said they thought it was the right thing to do, but 24 percent said they believed it was wrong.

At work is the search for a compromise between two views — that abortion is murder and that it is a woman's right — that seem absolutely contradictory and yet so powerful that they often co-exist within the same person.

In responses so paradoxical that they astounded even experts like Ms. Cook, one third of the poll's respondents who said they considered abortion to be murder also agreed that abortion is sometimes the best course in a bad situation.

In general, the abortion issue seems to have only limited political resonance these days. Just over half the respondents said they did not think it necessary to know a public official's position on abortion.

Such indications that abortion is becoming less of a political issue and more of a private, moral one jibe with the belief expressed by nearly 60 percent of those polled that the government should stay out of decisions on whether abortion should be legal.

Clinton Again Prohibits Lawsuits Tied to Cuba

Allies' Help in Promoting Democracy Is Cited

Compiled by Our Staff From Dispatches

WASHINGTON — President Bill Clinton decided Friday to again deny Americans the right to sue foreign companies doing business on confiscated properties in Cuba.

Administration officials had previously cited the cooperation of U.S. allies in Europe and Latin America in promoting democracy and human rights in Cuba as justification for the decision, which was expected.

The Helms-Burton Act of 1996 permits Americans to file lawsuits in U.S. courts against companies "trafficking" on their Cuba holdings but also gives the president the authority to waive that right. Each waiver has a six-month life span, after which it expires unless it is renewed. Mr. Clinton has issued waivers on three previous occasions; the current waiver was to expire Friday.

The latest freeze was coupled with warnings from Congress that unless agreement was reached with the European Union by April on investment in Cuba, the law would be enforced.

"This is the calm before the storm," said Marc Thiessen, spokesman for Jesse Helms, the influential Republican senator who leads the Senate Foreign Relations Committee.

"If the Europeans don't start making concessions, this whole issue is going to blow up," Mr. Thiessen said.

Congress wants an agreement with the EU on investment in expropriated property in Cuba by April or it will press the administration to impose visa restrictions on European companies under another provision of the legislation, he said.

Critics of past waivers have said that denying Americans the right to sue merely allows foreigners to continue trafficking in stolen property with impunity. The Cuban-American National Foundation urged to Secretary of State Madeleine Albright last week asking that the waiver not be renewed.

The letter, signed by the foundation chairman, Alberto Hernandez, and its president, Francisco Hernandez, said it was "painfully evident that members of the European Union are merely paying lip service to the issues of freedom and democracy in Cuba while they are actively encouraging unconditional trade and investment with the Castro regime."

A refusal by Mr. Clinton to exercise his waiver authority would have inflamed relations with the EU and Latin American countries and would probably rule out their cooperation in U.S. attempts to promote democracy in Cuba.

The undersecretary of state for economic affairs, Stuart Eizenstat, foreshadowed the announcement in a speech last week in which he said the

administration had been able to start "an unprecedented, multilateral effort" to push for democracy in Cuba.

As part of that effort, he noted that the EU had adopted a legally binding commitment to press harder for human rights and democratic change in Cuba. That commitment was adopted in December 1996 and reaffirmed last year.

The Europeans and Latin Americans have nevertheless distanced themselves from U.S. policy on Cuba. Each fall, they join in the United Nations General Assembly in urging an end to the U.S. economic embargo against Cuba.

A major goal of Helms-Burton is to deter foreigners from investing in properties owned by Americans in Cuba before the revolution. More than 5,900 property claims filed by American confiscation victims have been certified as valid by the U.S. government.

The EU, Canada and Mexico all object to U.S. efforts to apply its Cuba policy in a way that affects other countries, calling it an unjustifiable attempt to extend American law beyond its shores.



GREEN GRANDMA — Bill Clinton and Mrs. Clinton congratulating Margaret Murie, a pioneer environmental activist, after she received a Presidential Medal of Freedom.

Cigarette Firms Settle Texas Claims With a \$14.5 Billion Deal

By Barry Meier
New York Times Service

NEW YORK — In the largest settlement of a lawsuit against the tobacco industry, five leading cigarette companies have tentatively agreed to pay the state of Texas \$14.5 billion to resolve smoking-related health claims, according to state officials.

The settlement of the Texas case, which had been expected, came just as jury selection was about to begin in the state's lawsuit to recover Medicaid money spent treating illnesses said to be caused by smoking.

Judge David Folsom of Federal District Court in Texarkana, Texas, had delayed the process twice in the past week to give industry and state negotiators more time to resolve their differences.

The resolution of the Texas litigation helps remove one big potential stumbling block to congressional consideration of the proposed \$368.5 billion settlement reached in June because an ongoing trial against cigarette makers might unsettle lawmakers considering the accord. The earlier settlement was between tobacco producers and more than 40 state attorneys general, including

Dan Morales of Texas.

But the industry faces a far greater challenge next week in Minnesota when jury selection in that state's case against the same manufacturers begins.

Ron Dusak, a spokesman for Mr. Morales, who filed the claim, said in a telephone interview Thursday night that lawyers for the state and tobacco producers had reached an agreement to settle the case, though there has yet to be an official announcement.

Mr. Dusak declined to disclose details of the agreement. But state officials and tobacco industry lawyers said earlier that the settlement payment would be \$7.25 billion, which would be invested by the state and paid out over 25 years, making it worth about \$14.5 billion.

That would make it the richest settlement of a state lawsuit against cigarette producers to date.

In July, Mississippi settled its claim for \$3.4 billion and Florida settled its lawsuit in August for \$1.3 billion. Like the Texas action, those lawsuits sought

to recover Medicaid money spent treating people believed to have been afflicted with smoking-related diseases.

Two industry officials said the settlement would provide money for a variety of anti-smoking campaigns to be run in the state, a condition that was also contained in the Florida agreement.

The officials also said that Texas would get more money than it would have under the proposed broader settlement, in recognition of the fact that the state settled before congressional consideration of that proposal.

Meanwhile, there were signs that there may be a battle in Texas over just how the money from the deal should be spent. The two state lawmakers in charge of the legislature's budget-writing committees, Senator Bill Ratliff and Representative Rob Juncell, petitioned Judge Folsom for permission to become a formal party to the lawsuit. The lawmakers expressed concern that the deal could earmark specific spending, which they said would be a violation of the

legislature's sole authority to set state spending priorities.

Governor George Bush said he believed state lawmakers should have the authority over the proceeds. "I agree with Representative Juncell and Senator Ratliff that the duly elected officials of the legislative branch ought to eventually decide how the money is spent," he said.

Some lawmakers have balked at the prospect of the deal because of reports that private lawyers handling the case for the state are to get up to 15 percent of the settlement proceeds. As in similar lawsuits, the lawyers agreed to underwrite the cost of the state's case against the cigarette makers in return for a percentage of any recovery.

The companies involved in the Texas lawsuit include the Philip Morris Cos.; RJR Nabisco Holdings, the parent of R.J. Reynolds Tobacco; BAT Industries PLC, the parent company of Brown & Williamson Tobacco; Loews Corp. and Lorillard Tobacco, and U.S. Tobacco, a producer of smokeless tobacco.

Away From Politics

• The California Coastal Commission unanimously rejected a plan by the Hearst Corp. to build a 650-room, 27-hole golf resort along one of the state's last pristine stretches of coastline — on William Randolph Hearst's estate at San Simeon. (AP)

• A woman is suing her son over a \$2.15 million New Jersey lottery jackpot, claiming that they had been buying tickets together for years and that he reneged on a promise to share any winnings. Phyllis Klingebiel of

Rahway sued her son Michael in December for half the money. (AP)

• A man on his way to be executed in Huntsville, Texas, for murder received a reprieve from the Supreme Court — the second time the court has saved him from death. The court, which stepped in less than an hour before Lesley Lee Gosch, 42, was scheduled to die by lethal injection, ordered the execution stopped so it could review the way the state sets execution dates. (AP)

BOOKS

THE ULTIMATE INTIMACY

By Ivan Klima. Translated from Czech by A.G. Brain. 387 pages. \$25. Grvine.

Reviewed by Steven Moore

THIS book recounts a momentous year in the life of the Reverend Daniel Vedral, a Protestant minister in the Czech Republic. It begins with the death of his mother and ends with a near-fatal heart attack and his resignation from the ministry. In between, Daniel cheats on his second wife by having an affair with a married woman, inherits a large amount of money, begins seriously doubting his religion, discovers that his daughter is using drugs and is pregnant, and learns that his father may have been an informer during the Communist regime and was definitely a philanderer who cheated on his wife too. A tough year, by any standard.

Through it all, Daniel ponders the nature of intimacy and wonders what the ultimate intimacy would be or, more precisely, who should be the recipient of such intimacy: his first wife, whom he cannot forget? his children? his God? the beautiful

stranger who enters his life at the beginning of the novel? The minister finally defines the ultimate degree of intimacy as "the capacity to trust utterly and therefore to confide everything, even one's deepest secrets, even the things one conceals from oneself." His realization that this can occur during prayer as well as lovemaking exacerbates the moral dilemma that bedevils him.

Daniel's quest for intimacy is shared by the four other principal adult characters in the novel: his second wife, Hana, whose difficult early life has stunted her capacity for intimacy; Matous Volek, a jaunty journalist undergoing a divorce, who develops an interest in Hana; Bara, the married woman who steals Daniel away from his wife in her hunger for a meaningful life; and Samuel, Bara's obnoxious husband, who is so dissatisfied with her that he wonders if he'd be better off with a dog.

Except for Samuel, these are all good people, especially Daniel, and Ivan Klima effectively conveys their struggles. But the ordinariness of their problems makes it difficult to work up much enthusiasm for the novel. At one point Daniel attends a theological seminar. "The theme was predestina-

tion and the meaning of good works," he writes in his diary. "It's an eternal theme about which, as with most themes, everything has been said that could be said."

A similar predictability dogs Klima's novel. The standard themes of adultery and religious doubt have been treated so often that it's a real challenge to come up with something new to say about them, and Klima doesn't rise to the challenge.

The most interesting aspect of "The Ultimate Intimacy" is its elegant, formal structure. The novel consists of eight chapters, each with a pattern: The odd ones (1, 3, 5, 7) are third-person accounts of Daniel's activities; sections 2 and 4 are excerpts from his diary and correspondence, respectively; and sections 6 and 8 deal with the other four adult characters and are structured symmetrically.

Architecture is a minor theme in the novel — both Samuel and Bara work in that field — so it's appropriate for the novel to have an architectural symmetry.

But there's a contrast made in the novel between the boringly symmetrical buildings of the late Communist regime and the flamboyantly asym-

metrical cathedral of Gandhi in Barcelona, which Bara sees on vacation.

The latter is clearly the work of an "unfettered" genius, she feels, realizing that traditional art and religion usually seek symmetry and order. "Happily, from time to time, some wayward soul is born," she thinks, "some Gaudi, who questions the prevailing order and symmetry, in order to rescue life."

Klima has chosen to keep the fetters on and stick with traditional symmetry and order, perhaps because the notion that life can be "rescued" is a delusion, perhaps because Klima lacks Gaudi's genius, perhaps... One could speculate for hours on this, which is the ultimate appeal of "The Ultimate Intimacy."

Steven Moore, the author of many books and essays on modern literature, wrote this for The Washington Post.

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Backing IMF, Suharto Sends Signal That He'll Stay Put

By Michael Richardson
International Herald Tribune

SINGAPORE — By taking charge of the key panel to carry out painful economic reforms and austerity measures in Indonesia, President Suharto has made it clear that he intends to continue his three-decade rule despite increasing calls for his resignation, analysts said Friday.

"By endorsing the reforms and taking personal responsibility for them, Suharto has made sure he is politically indispensable," an Asian diplomat in Jakarta said. "From being seen as a big part of the problem, he has turned himself into a big part of the solution."

As a result, Mr. Suharto — who is 76 but appears to have bounced back in better health after doctors ordered him to rest last month — is now considered certain to seek and get another five-year term when the electoral college he effectively controls meets in March to choose a new president and vice president.

But Mr. Suharto's evident determination to retain power over economic policy is causing financial markets and investors to question whether the entrenched ways of doing business in Indonesia based on political connections will be eliminated with the vigor needed to restore confidence in the country's battered currency and stocks.

"Economic reforms to settle the monetary crisis in the absence of political reform is only daydreaming," said Amien Rais, chairman of Indonesia's second-largest Muslim organization, Muhammadiyah, which claims a membership of 28 million.

He and other critics of Mr. Suharto — a former army general who has ruled the world's fourth most populous nation, often with an iron hand, for 32 years — argue that he has lost credibility at home and abroad, and should step aside.

"Many may worry that a government under the same leader might easily return to its old bad habits," the Jakarta Post said Friday. "The risk of a recurrence of corruption, collusion and market distortion is indeed quite high with the children and close relatives of so many top officials, provincial leaders, high military officers and retired generals quite active in business."

Seemingly to echo such concerns, the U.S. deputy Treasury secretary, Lawrence Summers, who was in Jakarta early in the week, said Friday that the government's commitment to the sweeping reform policies agreed to with the International Monetary Fund on



HEADLESS IN INDONESIA — The statue of a policeman in Pamekasan, on Madura island, 700 kilometers east of Jakarta, that was vandalized this week. The police are on alert after rioting over soaring food prices.

Thursday would be vital for restoring confidence.

"Indonesia's efforts in conjunction with the IMF have brought a degree of stability that was lacking a week ago," Mr. Summers said in Seoul at the end of his tour of Asian capitals. "What will be crucial is the way in which the Indonesians carry their economic policy through."

Mr. Summers put himself in charge of a six-member panel, the Economic and Monetary Resilience Council, formed to monitor the implementation of the IMF-mandated reforms.

The reforms include abolition of the monopoly rights, special tax breaks, state funding, and other government-granted privileges that have allowed relatives and close associates of Mr. Suharto to build business empires that extend into every major sector of the economy.

"In facing the current situation," Mr. Suharto said Thursday, "we need quick

action and my own responsibility."

"That's why I have to lead this team," he added, "assisted by existing institutions."

While nepotism and growing economic hardship caused by austerity measures and drought have eroded Mr. Suharto's authority, his systematic suppression of potential political rivals and refusal to designate a successor have ensured that there is no effective alternative to his rule, at least in the short term.

"If he leaves now, there would be chaos and the army would take over," a Malaysian analyst said, referring to concerns that recent small-scale food riots on the main Indonesian island of Java could easily escalate into large-scale disorder in which the ethnic Chinese minority and other non-Muslims would become targets of the Muslim majority.

Dewi Fortuna Anwar, an Indonesian political scientist, said that President Suharto could be "part of the solution if he recognizes that it can no longer be business as usual in Indonesia and acts accordingly."

She said he should lay the basis for a smooth political succession by bringing the most able people into the government.

"The only realistic way now to restore faith in government is if we have a strong and widely respected vice president and a competent, reform-minded cabinet to ensure that the necessary changes are pushed through," Ms. Anwar added.

Mr. Suharto's backsliding over key parts of the multimillion dollar loans-for-reforms package agreed to with the IMF in October caused huge falls in the value of the rupiah against the U.S. dollar.

This put many Indonesian companies, including those that have benefited from political favoritism, in a position where they were unable to repay foreign loans, raising the specter of large-scale default in the private sector.

"The grave crisis we are in now should have roused the government to the likely horrendous cost of another mistake or capricious attitude," the Jakarta Post said Friday. "The writing is already on the wall: Reform now or collapse."

SUHARTO: The IMF Storms the Citadel

Continued from Page 1

be will live up to his promises."

While the economic distortions created by the Suhartos' business empire — including barriers to competition and foreign investment — were an integral part of the financial crisis, they were not the only factor. The turmoil was also triggered by the huge debts accumulated by businesses unrelated to the family and by lax regulation of the 240 banks, most of which are not owned by the Suhartos.

Mr. Suharto and his children did not reply to interview requests or to detailed written questions for this article. In the past, the president's children have insisted that they did not benefit unfairly from their family ties and that there was competitive bidding for many of the government contracts they received. These assertions are widely disputed by economists and bankers in Jakarta.

Mr. Hutomo held a rare news conference Thursday to defend the family. "We give our best to the nation," he said. "If we were only thinking of ourselves, in our family, we wouldn't still be involved in business. But because we see ourselves as children of the nation, who give added value to the nation, we continue to be involved in business."

Indonesia's lax financial disclosure laws make it impossible to determine the full extent of the family's wealth, but corporate records and interviews with economists and bankers here and in other countries disclose that the Suharto family controls hundreds of companies.

It owns television and radio networks, banks, chemical factories, pharmaceutical companies, shopping malls, hotels, paper mills, shipping lines and taxi companies.

Mr. Hutomo controls the country's leading private airline. Another son controls the multimillion-dollar communications satellite industry, while a sister, Mrs. Rukmana, has built many of the nation's toll roads.

One estimate of the family's wealth was reportedly made in 1989 by officers of the Central Intelligence Agency assigned to the U.S. Embassy in Jakarta.

According to a former embassy worker who says he was briefed by the officers, the Suhartos' assets were estimated then to total \$30 billion, which would have ranked them among the world's dozen richest families. (The CIA declined to comment on whether it had ever prepared such an estimate.)

While the Suhartos have long defended their business empire by insisting that their businesses are centered in Indonesia and provide jobs to impoverished Indonesians, the first family has continued to move assets abroad.

For years, foreign governments and many Indonesians seemed willing to overlook the role of the Suharto family and government corruption in light of the country's overall economic advance under President Suharto. But that implicit deal has collapsed in the midst of the economic turmoil of recent months.

Evidence of the Suharto family's wealth is everywhere to be seen in even a brief tour of Jakarta. Visitors often arrive at the capital's international airport on one of the European-made Airbus jets leased to Sempati Air, the airline controlled by Mr. Hutomo, the youngest son. Sempati Air is listed in public documents among the assets of Hutumpus, Mr. Hutomo's conglomerate.

Travelers can exchange foreign currency at the airport branch of Bank Central Asia, which bank documents from last year show is one-third owned by Suharto's eldest son and daughter.

The toll roads from the airport into the city were built by a company controlled by the eldest daughter, Mrs. Rukmana, and several of the billboards along the route advertise the products of the Bimantara Group, the conglomerate controlled by Bambang Trihatmodjo, the middle son. Bimantara listed assets last year of more than \$1 billion.

Wealthy visitors often stay at the capital's most sumptuous hotel, the Grand Hyatt Jakarta, which Bimantara lists

among its prime assets, and shop at Mr. Trihatmodjo's adjoining marble-draped shopping mall, the Plaza Indonesia.

Southeast of Jakarta is Mr. Hutomo's international-standard automobile race track, which was built in the early 1990s at a reported cost of \$50 million.

Mr. Hutomo has long been a fan of Grand Prix racing. In 1994, he led a group of friends in a \$40 million purchase of Automobili Lamborghini, the Italian automaker known for its sleek racing cars. Recent Lamborghini corporate documents identify Mr. Hutomo as the major shareholder in the company.

For the rich, a weekend away from the chaos of Jakarta often means a trip to Bali, where the first family owns or controls many of the island's plush resorts.

In a recent promotion brochure for his conglomerate, Mr. Hutomo disclosed that he and a Singapore company owned the Four Seasons Bali.

The Suharto children are involved in joint ventures and other deals with some of the largest corporations in the United States, including Hughes Electronics, Lucent Technologies and United Parcel Service.

Economists who have studied the family's business operations say there has rarely been even the pretense of competitive bidding when businesses owned by the president or his children have been awarded government contracts.

Mr. Hutomo went into business in 1984 at age 22, establishing the Hutumpus Group with his eldest brother, Sigit Harjojudanto. But the clove monopoly was a disaster. Because prices were set artificially high, production increased as consumption dropped, leaving many farmers with tons of unsold cloves.

At one point, Mr. Hutomo publicly called for farmers to burn half their crop, and the Suharto government was eventually forced to bail out the industry with credits totaling almost \$350 million.

Most such subsidies will have to be phased out under the IMF accord, which requires that all domestic trade in agricultural products be fully deregulated.

Throughout the 1980s, the Suharto children received lucrative government contracts. Company documents show that Hutumpus and Bimantara were granted concessions for the overseas distribution of petrochemical products manufactured by the government oil company, while Mrs. Rukmana was awarded the right to build toll roads through Jakarta.

The deals grew bigger during the 1990s. The government announced that it was granting television licenses to both Mr. Trihatmodjo and Mrs. Rukmana, and that a group of investors led by Mr. Trihatmodjo would take control of the state-owned Palapa commercial satellite network.

Investment bankers say it is still unclear if the president's son paid anything for control of the satellites in 1993. A year later, corporate documents show, he sold 25 percent of the business to a German telecommunications company for \$600 million.

BRIEFLY

Expert Doubts China Is 'Bird Flu' Source

BEIJING — A leading flu expert said Friday that Hong Kong and not China was the source of the avian flu as World Health Organization experts arrived in southern China to hunt for the virus.

"It looks like the source is in Hong Kong," said Dr. Daniel Lavanchy of the UN agency.

Dr. Lavanchy, who made his comments after meeting Chinese health officials, is part of a team that will conduct tests in Guangdong Province, which borders Hong Kong, where the disease has killed six people. (Reuters)

U.S. Might Ease Thai Arms Payments

BANGKOK — To demonstrate U.S. understanding for Thailand's economic crisis, Defense Secretary William Cohen said Friday that the Pentagon would consider making it easier for the Thais to pay for U.S. warplanes and other weapons.

Mr. Cohen said a team of U.S. negotiators would come to Bangkok this month to discuss easing Thailand's payment burden.

Bangkok wants a break on \$392 million it agreed to pay for eight fighter jets from McDonnell Douglas Corp., now part of Boeing. (AP)

Japan Cult Leader Proclaims Innocence

TOKYO — The former doomsday cult leader Shoko Asahara told a court Friday that he was innocent of murder charges in two nerve gas attacks, including one on the Tokyo subway in 1995, that together killed 19 and sickened thousands.

Mr. Asahara, who led the Aum Shinrikyo cult, was asked to make a statement after Judge Fumihiko Abe said the court had accepted a prosecutor's request to reduce the number of injured in the two attacks as a way to speed up the trial. (AP)

For the Record

Three representatives of Caribbean governments sought to mediate Guyana's election crisis as 20,000 opposition supporters took to the streets. The team from the Caribbean Community met separately with President Janet Jagan and the opposition leader Desmond Hoyte, who has accused Mrs. Jagan of stealing the election Dec. 15. (AP)

New Blow to Fiat Chief: Bribery Indictment

International Herald Tribune

ROME — Cesare Romiti, the embattled chairman of Italy's giant Fiat group, has been indicted on allegations of corruption and bribery in connection with a Rome subway construction project, state prosecutors announced Friday.

The indictment is very likely to deal a severe blow to Mr. Romiti, 74, who was convicted last year on multiple charges of tax fraud and corruption. Judicial officials did not fix a trial date.

Mr. Romiti and two other Fiat executives are accused of having authorized payment of more than \$3 billion in bribes from 1983 to 1992 in order to win a contract to build a portion of the Rome subway system. The indictment alleges that the bribes were paid to politicians and officials from the Chris-

tian Democrat and Socialist parties. Also indicted were Umberto Beliziani, former chief of Fiat's Rome office, and Francesco Paolo Mattioli, the financial director. Lawyers for the two men were not available to comment. Mr. Romiti has denied wrongdoing in the matter.

Following his conviction last year, Mr. Romiti was sentenced to 18 months in prison. Although the jail sentence was suspended, he was banned from holding seats on any corporate board. He has been able to retain his position as Fiat chairman while the ban is under appeal.

Fiat rules call for Mr. Romiti to resign when he reaches the age of 75 in June. But there have been reports that Gianni Agnelli, the main shareholder of Fiat, might allow him to stay on until the company's centennial in 1999.

China Lauds U.S. Nuclear Move

Agence France-Presse

BEIJING — China on Friday welcomed President Bill Clinton's signing of certifications heralding the end of a Washington embargo on China-bound exports of nuclear technology.

The White House announced Thursday that Mr. Clinton signed documents Monday that in effect reactivate a never-implemented 1985 agreement allowing trade in nonmilitary nuclear technologies between the two nations.

"The Chinese side welcomes Clinton's signing of the relevant certifications to initiate the agreement," a Foreign Ministry spokesman said. "It is hoped the U.S. will complete the relevant procedures as soon as possible so an early implementation of this agreement will be realized."

The spokesman was presumably referring to the U.S. Congress, which

could move to block the initiative.

The 12-year-old agreement was never put into effect because of concerns about alleged Chinese transfers of nuclear weapons to other countries. But in October, Mr. Clinton announced plans to lift the embargo during a visit to Washington by President Jiang Zemin.

The U.S. Embassy in Beijing said Congress had 30 working days to pass legislation blocking the move to lift the embargo. Because Congress would not be in session until the end of this month, the period extends until March 12 or 13, it said. House members have already introduced bills opposing the White House initiative.

China is expected to spend as much as \$60 billion by 2015 to meet its nuclear energy needs, making it the world's fastest-growing such market.

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PROPHECY By Ed Early and Bob Klahn

- ACROSS**
1. Theater worker
 2. Hank Aaron or Jesse Owens, e.g.
 3. "Wild Thing" group, with the
 4. Day in Hollywood
 5. Breakdown
 6. Capital of Zimbabwe
 7. Part I of a prophecy by Martin Luther King Jr.
 8. Marshall Dillon
 9. Cone-shaped heaters
 10. Grocery area
 11. More than suggestive
 12. Track pick, informally
 13. Sharp
 14. Jolopy
 15. Fr. holy woman
 16. Prophecy, part 2
 17. Holmes girl
 18. Soap holder
 19. Moses did
 20. Prophecy, part 3
 21. Bob Hope
 22. "Russia"
 23. \$1,200
 24. 1/6 fl. oz.
 25. Exotic New Zealanders
 26. Brown of recovery
 27. Sludge
 28. Swindle
 29. Seesaw quorum
 30. Prepare to surf, perhaps
 31. Category
 32. Unpopular slice
 33. Winick
 34. "here" (store sign)
 35. Time to act
 36. Prophecy, part 4
 37. Big name in games
 38. New makeup
 39. River of song
 40. Some wait for
 41. Cooperative interaction
 42. Hundred
 43. Most festive
 44. Halfhearted
 45. Charizot of "Silk Stockings"
 46. Lasso player in
 47. Kid's partner
 48. Child's play
 49. Grape brandy
 50. Kind of trip
 51. Pretense
 52. Prophecy, part 5
 53. Sailed together
 54. Where suits are pressed
 55. Laundry woe
 56. Prophecy, part 6
 57. Prophecy, part 7
 58. Memorable 1995
 59. Hurricane
 60. Buffoon
 61. Half and half
 62. Famous redhead
 63. Male name
 64. Polar challenge
 65. Shade
 66. End of the prophecy
 67. Prophecy, part 8
 68. Bete noire
 69. Correction of
 70. "Grand" hotels
 71. Well-worn
 72. Biased
 73. Yielding
 74. Enthusiastic
 75. Moon shade
 76. Make way?
 77. Arise
 78. Van der Bole
 79. "Kelly" (Jagger film)
 80. Vinegar radical
 81. Item of interest
 82. Mrs. Alfred Hitchcock
 83. Short orders
 84. "Wonderful"
 85. Film rating org.
 86. Spot of wine?
 87. Misquote town near the George Washington
 88. Career National Monument
 89. "Lyn" Eyes" singers
 90. "Awesome!"

15 Like some votes

20 Wall Street analysts' concern

21 Letter getter

22 Cameo carvings

23 Red or Card, for short

24 Geared down, perhaps

25 Crusty ones

26 Had a heart but used a club?

27 Some tardis

28 Erik award

29 41' x 11" size: Abbr.

30 It's often served at home

31 Two-toned treat

32 Savage

33 Plaster of paris

34 Fotomat abbr.

35 "Love thy neighbor" is one

36 Speedily

37 Admitted

38 Make up one's mind

39 Detached

40 Hole in the wall?

41 Unraveled

42 The first Mrs. Copperfield

43 "C-w-e-e-r"

44 Code breaker

45 Here and there?

46 11-Down extra

47 Very early

48 Old car with a 389 engine

49 Senator who made the rounds

50 "For" — sow

51 Moll

52 Cool, Cheryl

53 Violinist

54 Paganini

55 Operative

56 Tomson's

57 "and End"

58 Theologian who opposed Martin Luther

59 "Oh, right"

60 Extending spot

61 Extending

62 Tomson's

63 Unrefined

64 "Peer Oyn" dancer

65 Mary Tyler Moore catch phrase on "The Dick Van Dyke Show"

66 Elaborate

67 Japanese porcelain

68 Lifesboat support

69 Snuggery

70 Clairvoyants

71 Soothsayer

72 Unified whole

73 Venet's home

74 Rubber Duck, for one

75 Berlin to Cologne dir.

76 Problem of the middle ages?

77 "gait's"

78 Something to catch or save

79 Unrefined

80 "Peer Oyn" dancer

81 Fake infame

82 Dracula's mother-in-law?

83 Mutually free-free

84 Elaborate

85 O.R.E. for one

86 Thatched

87 Powwow

88 Swamp thing

89 Bolders...

90 Rubber Duck, for one

91 Balconette

92 Prowling w.e.

93 River to the Caspian

94 Problem of the middle ages?

95 "gait's"

96 Something to catch or save

97 Unrefined

98 "Peer Oyn" dancer

99 Fake infame

100 Dracula's mother-in-law?

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142 Swamp thing

143 Bolders...

144 Rubber Duck, for one

145 Balconette

146 Prowling w.e.

147 River to the Caspian

148 Problem of the middle ages?

149 "gait's"

150 Something to catch or save

151 Unrefined

152 "Peer Oyn" dancer

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Arabs Hope Clinton Will Put Heat on Netanyahu for Peace

By Douglas Jehl
New York Times Service

DAMASCUS—With the Israeli government taking a tougher stand on Middle East peace, Arab leaders are making clear their hope that President Bill Clinton will use a meeting in Washington next week to take unprecedented steps to persuade Israel to change course.

In private conversations, President Hafez Assad of Syria in particular has become increasingly blunt, according to Western diplomats, in saying that Washington must turn up the heat on Prime Minister Benjamin Netanyahu of Israel if it does not want the quest for a broader peace to collapse.

And even in public, the usually circumspect Syrian leader has suggested that the position on any broader peace with the Palestinians that was adopted this week by the Israeli government should have demonstrated even to Mr. Netanyahu's supporters in Washington that he has no real commitment to peace.

"It is clear that the Arabs are not the

ones who kill peace and the peace process, but the Israelis," Mr. Assad said earlier this week after an unexpected meeting with President Hosni Mubarak of Egypt. "The whole world knows and says that the Arabs cling fast to the peace process; others do not."

The Egyptian foreign minister, Amr Moussa, has publicly warned that the situation has become so fragile that the peace effort is in danger of disintegration unless American intervention next week can produce some kind of confidence-building reconciliation between Israel and the Palestinians.

Noting that even the Clinton administration has voiced disappointment at the position taken by the Israeli government, some prominent Syrians have suggested that the meeting next week between Mr. Clinton and Mr. Netanyahu should serve as an occasion for Washington to use financial pressure on Israel.

They hope that Mr. Clinton will threaten to withhold some of the \$3 billion in military and economic aid provided by the United States to Israel

each year unless it shows a willingness to reconsider its peace stands.

The talks in Damascus between Mr. Assad and Mr. Mubarak, which were announced only as they began, were the clearest sign of a widening Arab alarm over the new Israeli stand.

Mr. Assad's spokesman, Jubran Kouhieh, said Thursday that the main focus of the talks had been "the peace process and the dangerous situation it reached because of the negative attitude of the Israeli government."

The meeting scheduled for Tuesday between Mr. Clinton and Mr. Netanyahu is to be followed by another Thursday meeting between Mr. Clinton and Yasser Arafat, the Palestinian leader.

The sessions have been widely expected to focus on the perilous relations between Israel and the Palestinians. But in private meetings in Damascus with American members of Congress and other visitors in recent days, Mr. Assad has also suggested that Mr. Clinton use his time with Mr. Netanyahu to try to salvage negotiations between Israel and Syria.

Israel and Syria have not held any peace talks since Mr. Netanyahu took office 18 months ago. He has refused to resume talks under a framework worked out between Syrian negotiators and his Labor Party predecessors, which would have seen Israel withdraw fully from the Golan Heights in return for security assurances and a full peace.

In the past, the Syrian government has consistently disparaged Mr. Arafat for his decision to make a separate peace with Israel, and until now Damascus has insisted that it will take its own steps toward any peace with Israel without respect to what happens between Israel and the Palestinians.

But the sympathy felt across the Arab world for Mr. Arafat in the face of Mr. Netanyahu's treatment of him is now resonating so deeply in Syria that one Western diplomat said, "It is an open question at this point whether Assad would engage now in the absence of real progress on the Palestinian track."

At the same time, however, diplomats say Syrian officials are bristling over the

neglect shown by Washington toward the Israeli-Syrian track over the last year as Secretary of State Madeleine Albright and the American special envoy, Dennis Ross, have devoted the bulk of their efforts in the Middle East toward trying to salvage prospects of a permanent peace between Israel and the Palestinians.

The diplomats said that Mr. Assad told a visiting American congressional delegation last week that the meeting next week should serve as an occasion for Mr. Clinton to urge Mr. Netanyahu to be more open to the prospect of resuming talks with the Syrians in a way consistent with the conditional assurances provided by Prime Minister Yitzhak Rabin as early as July 1994.

It was at that time, American and Israeli officials have said, that Mr. Rabin told Secretary of State Warren Christopher that Israel would be willing to withdraw from the Golan Heights to the lines that were in place before the 1967 war in return for security assurances and the full normalization of relations between the two countries.



Richard Butler, chief UN arms inspector, meeting the press in Paris.

IRAQ: UN Lays Out a Map

Continued from Page 1

Saddam Hussein needs to be reassured that there is not a hidden U.S. agenda to prevent the lifting of sanctions until his regime falls.

A sensitive point in this regard has been the Clinton administration's reluctance to see the UN committee endorse findings that Iraq's nuclear weapons program has been neutralized. Mr. Butler acknowledged that "a good report" had been submitted in October by the International Atomic Energy Agency.

New Iraq is likely to see the nuclear dossier "closed quite quickly," a French diplomat said, referring to the new review committees whose work is likely to bring to light any disputes over the status of nuclear programs in Iraq.

The practical effect of official recognition that Iraq has complied on nuclear affairs would mainly be a psychological boost for Baghdad. Its nuclear program would henceforth be tracked with sophisticated monitoring — using cameras, sensors and overflights — of the sort applied to all countries subject to international safeguards.

U.S. reluctance to see Baghdad gain relief stems from fears that it might increase pressure for a partial lifting of sanctions. Washington insists that Baghdad must first comply with UN demands on all four weapons dossiers: nuclear arms, missile warheads, chemical and biological agents.

France has reassured Washington, diplomats said Friday, that the French government also opposes the idea of "gradualization" in which Mr. Saddam could begin selling oil, and gain room for maneuver, while retaining some secret weapons. As a result, the Clinton administration seems comfortable that the Security Council is presenting a solid front to Iraq in insisting on unfettered access for inspections, even though U.S. officials say they remain skeptical that Iraq can be induced to comply by diplomacy, as France and Russia urge.

In a reminder of the military option in the event of failure, Britain dispatched an aircraft carrier with Harrier jets to the Gulf to join the U.S. task force there.

Mr. Butler said the latest Iraqi action, claiming that an inspection team was "too American," had irritated and perplexed Western diplomats even more than the Iraqi move in November to ban Americans. "That was more serious in the sense that it threatened the entire inspection program because I had to withdraw the entire UN team," he said, "but this time the Security Council immediately produced a strong response."

The current crisis could be the last with Baghdad, Mr. Butler said, "if the Iraqis realize that they have to give up this silly cat-and-mouse game" of concealing programs until they are caught.

In a separate conversation, Mr. Butler was asked if the inspectors' team that was blocked this week could be sent back without Scott Ritter, the U.S. team leader singled out by the Iraqis as objectionable.

"As a matter of principle, I have to say that no one is indispensable," Mr. Butler replied. "But as a practical matter, I cannot let the Iraqis dictate who is on my team."

The 15-member team led by Mr. Ritter left Iraq on Friday, one day ahead of schedule.

Iraqi Tests on Humans? UN Disputes 'Evidence'

By Christopher S. Wren
New York Times Service

UNITED NATIONS, New York — Reports of photographic evidence purporting to show that Iraq tested chemical and biological toxins on prison inmates are inconclusive, according to UN officials familiar with the investigation.

More intriguing, some diplomats and other officials said, is Iraq's admission in a letter to the Security Council that a senior American investigator, William

Scott Ritter Jr., was looking this week for more solid evidence of such experiments when Iraqi officials blocked him from visiting two sites in his search for evidence of testing on humans.

The sites, a prison and a security police compound, were only two of several dozen scheduled for the inspectors.

One piece of evidence, a photograph cited in a television news report, was probably taken well before any such testing occurred, officials said.

Charles Duelfer, deputy chairman of the UN Special Commission to disarm Iraq, said the photograph, which shows a man with a lesion on his left arm, had been mischaracterized. "We don't know what that means," Mr. Duelfer said. "We certainly cannot draw the conclusion that it's human testing."

The photo was retrieved more than two years ago by UN disarmament inspectors from a foot locker found on a farm in Iraq that concealed a larger cache of documents relating to biological warfare.

The farm belonged to Hussein Kamel, son-in-law of President Saddam Hussein, and a government minister responsible for Iraq's weapons programs. When he fled to Jordan in August 1995, other Iraqi officials escorted the inspectors to Mr. Kamel's farm and blamed him for hiding the documents.

Officials were similarly unimpressed with a videotape that showed experiments being performed on dogs. The videotape surfaced two years ago, they said, and Iraq had subsequently acknowledged its existence.

But in a move that caught many off guard, Nizar Hamdoun, Iraq's representative to the UN, sent a letter of complaint to the Security Council on Tuesday, in effect confirming what Mr. Ritter was looking for — and then authorized its circulation as a UN document.

Mr. Hamdoun's letter said that Mr. Ritter had informed Iraqi officials that he intended to inspect "a sensitive security service" installation and the Abu Ghraib prison, among other sites.

"He claimed that in the summer of 1995, between June and August, a number of prisoners had been sent from this site to Abu Ghraib prison and from there to a secret location where tests of chemical and biological agents had been performed on them," the letter said.

Mr. Hamdoun quoted Mr. Ritter as contending that equipment of Polish origin had been imported into Iraq "in an undeclared manner" for a pesticide plant that could be converted to produce chemical agents. Mr. Hamdoun called the accusation "groundless."

Until Mr. Hamdoun sent his letter, Richard Butler, the commission chairman, had resolved not to disclose what was privileged information from a member state, but the Iraqis did it for him.



HE WANTS ONE HAPPY RETURN — Anatoli Soloviyov, the Mir space station commander, receiving 50th birthday greetings Friday from President Boris Yeltsin as a crewmate, David Wolf, congratulated him.

GLENN: Space Pioneer to Fly on Shuttle in October at Age 77

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Challenger mission, but acknowledged that risks remained. The Associated Press reported, "This is not a signal that it's safe to fly in space; it's a signal that we're trying to do the maximum space research to benefit the American people and to inspire people," he said.

John Logsdon, director of the Space Policy Institute at George Washington University and a periodic NASA adviser, said the agency had given the flight an unambiguous thumbs-up.

"I doubt that NASA would have gone out and solicited Senator Glenn," Mr. Logsdon said. "But he has been able to make a case that has convinced them that he is qualified to fly and that there

are benefits to having him do so."

For the Democrat of Ohio, who plans to conclude his political career at the end of this year, the flight will be an enormous personal coup, for he has been a peppy, one-man lobby for his return to spaceflight for the last two years.

For the nation, his rocket trip will be a spiritual lark and a fresh sort of space adventure, by all the reactions of astonishment and pleasure that, initially, at least, seemed to overwhelm any expressions of concern and doubt that he can handle the flight.

"Why can't he?" Dr. Adrian LeBlanc, a medical physicist at Baylor College of Medicine in Houston, said.

"Age per se is probably not a contradiction," said Dr. LeBlanc, who stud-

ies how astronauts' muscle and bone react to spaceflight and said he saw no problem if Mr. Glenn is fit and has no serious medical problems.

The oldest astronaut to fly in space was Dr. Story Musgrave, who was 61 when he made his sixth and final journey aboard the shuttle Columbia in 1996.

NASA is certain to face questions about the risks involved in re-launching Mr. Glenn at his age. There are also questions about whether there are lingering effects from a fall in his bathroom that troubled Mr. Glenn's sense of balance early in his political career.

Analysts are sharply divided on the move's worth. The scientific justification of using Mr. Glenn to study aging in space has little or no merit, some say, adding that the shuttle system is too unreliable and dangerous for national joy rides. Others disagree, and some experts applaud the move for its sheer boldness.

"It's a happy ending story — 'Grateful Nation Rewards True American Hero,'" said John Pike, director of space policy for the Federation of American Scientists, a private group in Washington. "His big wish is getting fulfilled."

Mr. Glenn was one of the Mercury Seven, the original astronauts. The outpouring of relief and adulation was phenomenal after his three-orbit flight in February 1962. He received a Broadway parade reminiscent of the one after Charles Lindbergh's trans-Atlantic airplane flight, 35 years before.

TURKEY: Islamist Party Is Banned

Continued from Page 1

themselves as outsiders victimized by an undemocratic attack, and that their new party could turn out to be even stronger than Welfare was.

The prosecutor who presented the case against Welfare, Yural Savas, said any new Islamic-oriented party "will be subjected to investigation on whether it is a continuation of the banned party."

In his brief urging the ban, Mr. Savas said Welfare leaders were working to "destroy the Turkish Republic" and

"establish a state based on religious principles."

"The assumption that political parties cannot be closed in democratic regimes is not correct," Mr. Savas said. "The Turkish constitution accepts the understanding of 'combative democracy,' which permits the closure of political parties if their programs or activities threaten the existence of the state."

In a 275-page reply, the Welfare Party called Mr. Savas "prejudiced and intolerant of everything related to Islam" and described his charges as baseless.

IRAN: Overture Is Hailed

Continued from Page 1

in his interview that Iran had no need for ties with the United States.

But most of the ayatollah's remarks consisted of an outpouring of venom toward the United States. His tone was dramatically different from that of the president. Hanging near his speaking platform was a huge banner — in English — quoting a line from the late revolutionary leader, Ayatollah Ruhollah Khomeini. "We will resist America with our last breath," it read.

Pointing his index finger in the air in a gesture of disrespect, he repeated the insults against the United States that have dominated the rhetoric of the clerics throughout the country's 19-year-old revolution.

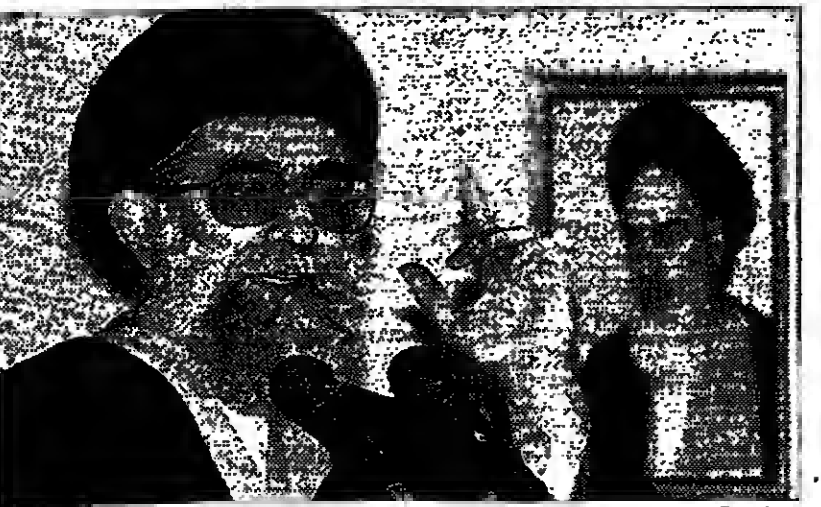
"They ask, 'Why do you call us the Great Satan?'" Ayatollah Khomeini said mockingly. "What does Satan mean? If you don't do satanic acts, then we will stop calling you that."

He denied suggestions from both abroad and even the Iranian media that Mr. Khatami's interview signaled that Iran may be moving toward reconciliation with the United States, calling it "tricky propaganda" designed to destroy the unity of Iran's revolution.

"Negotiations and dialogue with America is harmful for us," he said.

Ayatollah Khomeini also defended the seizure of the American Embassy in Tehran by militants in late 1979, calling it "a way to punish America."

By contrast, in his interview Mr. Khatami expressed regret that the feelings of the American people had been "hurt" by the hostage crisis.



Ayatollah Sayed Ali Khamenei speaking at Friday prayers in Tehran.

Similarly, Ayatollah Khamenei was ambiguous about Mr. Khatami's proposal for cultural ties.

On the one hand, the spiritual leader said that there were "no problems with the American people." On the other, he asked his audience, "Will the Iranian people allow the return of Americans again?"

Mr. Khatami had tried to explain the Iranians' ritual cry of "Death to America" as a criticism not of the American people, but of misguided policymakers. On Friday, Ayatollah Khamenei attacked the U.S. government and media for betraying and insulting the American people. The audience chanted "Death to America!" 14 times.

Under Iran's constitution, Ayatollah Khamenei and Mr. Khatami are assigned very different responsibilities, and it is difficult to describe their relationship. Ayatollah Khamenei, like the late

Ayatollah Khomeini before him, holds the country's highest office as the ultimate guide for Iran's Islamic Republic, with power as well over the armed forces, the security, intelligence and broadcasting services and the judiciary.

As president, Mr. Khatami runs the government and appoints cabinet ministers. He cannot make or carry out a foreign policy decision if Ayatollah Khamenei opposes it.

But Mr. Khatami derives power from a different source: the people. The overwhelming popular vote for him in May was a ringing endorsement of Mr. Khatami's platform for the rule of law, social justice and broader political participation.

The two men are not engaged in a power struggle in the sense that one will ultimately emerge triumphant. Rather, they are mutually dependent and must find ways to coexist.

KOHL: Chancellor Sees Euro as a Trump in Election Campaign

Continued from Page 1

The left-leaning opposition Social Democrats scored only 17 percent, Ernd found.

"It makes clear that Kohl really is the only one who can profit if Europe becomes an important issue in the election," Mr. Watz said. Mr. Kohl is "significantly more trusted" on European affairs than the opposition, he added.

To ease insecurities, Mr. Kohl will remind the nervous electorate of his undisputed status as Europe's longest-governing political heavyweight. Mr. Kohl's ability to extinguish diplomatic fires within the EU will be on display Tuesday, when Mr. Kohl travels to Rome to meet Prime Minister Romano Prodi of Italy in an attempt to smooth out friction over Italy's euro candidacy.

"Most Germans reckon that the currency union is coming," said Wolfgang Schauble, Mr. Kohl's loyal deputy and parliamentary leader. "And they say that when it comes, it would be better that the CDU is governing."

The status of elder statesman also blunts the opposition's argument that a left-wing coalition in Bonn would get along better with newly elected labor governments elsewhere in the EU. Mr. Kohl will cite his close ties to social democratic counterparts like Tony Blair of Britain and Wim Kok of the Netherlands.

Euro-anxieties are certain to be close to the surface this year as the nation pensively celebrates the 50th birthday of the mark, an icon that the author Peter Bender hailed as "the soul of the Germans."

Inclusion of Italy's lira would only compound their fears, analysts say. Because the strategy feeds on inse-

curity, the legions of euro opponents unwittingly appear to aid the strategy each time they stir the pot, according to one strategist at Mr. Kohl's party office in Bonn.

This may explain why Mr. Kohl himself seems to hype the euro as an issue of "war and peace." It could also explain why the Social Democrats, who have experimented for two years with euroskepticism, have stopped demonizing the euro.

In the last week, Mr. Kohl began to heat up the euro campaign. Peter Hintze, a party secretary, called the euro the "jewel" of Mr. Kohl's campaign at a recent party caucus. Mr. Kohl last week authored a front-page essay on the euro for the mass-circulation newspaper Bild. And on Wednesday, he formally inaugurated the theme for his party with a "Euro-congress" in Bonn.

Immediately after the European Union decision in May, Mr. Kohl will step up his drumbeating for the unpopular euro as never before: He will mobilize the party's famously disciplined machinery, down to the last precinct captain, for a full week to try to win over

Germans with card tables on every street corner and party officials on every television channel.

But if Mr. Kohl ever needed a trump card, now would appear to be the time. Ernd found that a coalition of Social Democrats and Greens would win if the vote were held today, although Mr. Kohl has narrowed the gap since last summer.

Political paralysis in Bonn deprives him of legislative victories and the opposition attacks the recent monthly unemployment records that have forced him to abandon job-creation goals.

Separately, a newspaper in Essen reported Friday on the chancellor's apparent health frailties. The report, which put Mr. Kohl's weight at "over 170 kilograms" (375 pounds), cited shortness of breath and stair-climbing exhaustion.

The report, which reminded Germans that Mr. Kohl had successful prostate surgery in 1989, reported that Mr. Kohl had canceled a trip to Asia. A spokesman for Mr. Kohl called the report "nonsense" and said Germany's busy election schedule compelled Mr. Kohl to postpone the Asia visit.

Montreal Comes Back to Life After Ice Storm

Reuters

MONTREAL — Montreal began to shake off the worst effects of a devastating ice storm and blackout on Friday, but 800,000 Canadians in Quebec and Ontario remained without electricity for an 11th day.

Thousands flocked into downtown Montreal as authorities allowed businesses and offices to open for the first time since they were shut Jan. 9.

To conserve the city's fragile power supply, authorities asked companies to close at 4 P.M. and people to limit their electricity consumption during peak daytime periods.

The closure of companies, movie theaters and restaurants had paralyzed the nerve center of Quebec's economy.

The ice storm and electricity blackouts have also been blamed for at least 20 deaths in Quebec.

Herald Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Wanted, Young Smokers

The latest trove of internal documents from the American tobacco industry provides the strongest evidence yet that the industry was not only targeting very young smokers, it was doing so with the approval of high corporate officials. Even in a business renowned for its lack of social conscience, the cynicism is breathtaking.

Congress will need to look skeptically at proposals to grant immunity to the industry for its reckless behavior as part of an overall tobacco settlement. The case may be getting stronger for a straightforward crackdown, with or without a negotiated deal.

The documents, which were piled loose by a lawsuit settlement in California, come from the files of the R.J. Reynolds Tobacco Co., America's second-largest cigarette maker. Realizing that most smokers get the habit before they are 18 years old and tend to stick with their first brand, the company tried through the 1970s and 1980s to woo smokers as young as 14.

Although company officials have testified under oath that they did not go after underage smokers, several documents suggest the opposite. A 1976 10-year planning forecast presented to the board of directors called for a new brand for children as young as 14, and a 1980 memo to the company chairman called for reversing the company's decline among youngsters from 14 to 17. Repeated surveys assessed the smoking habits of young teenagers. Other memos describe the age group between 14 and 24 as "tomorrow's cigarette business" and vital to the company's long-term prosperity and survival.

The new documents increase the pressure to crack down harshly on this rogue industry, either in the context of an overall tobacco settlement or through separate legislation aimed at strengthening legal and regulatory tools to combat youth smoking.

The Justice Department will need to determine whether perjury charges are warranted against high corporate officials, a legal crowbar that could prove every hit as effective as liability suits in prodding the industry toward more responsible behavior.

If the long-stalled tobacco deal is to move forward in Congress, it seems clear that the penalties to be imposed on the industry if it fails to reduce youth smoking need to be much harsher.

—THE NEW YORK TIMES

Aid for Double Victims

Finally, after far too long a wait, some help is on the way for the double victims of history: those Jews who survived the Nazi Holocaust and then five decades of Communist dictatorship as well.

Unlike concentration camp survivors who live in the United States or Israel, Jews in the former Soviet Union and Eastern Europe have, in most cases, received nothing in the way of compensation. Whereas a survivor in the West may receive from German reparations funds a monthly pension of \$270 or so, elderly survivors in Ukraine or Latvia typically receive nothing, although in many instances their needs today are far greater.

Now Germany, to its credit and that of Chancellor Helmut Kohl, has agreed to establish a fund of \$1.1 billion for ghetto and concentration camp survivors in the former Communist world. Monthly payments appropriately will go directly to individuals, not through local governments. The funds should begin flowing in a few months. Perhaps 20,000 people are still alive to benefit from this program.

It is, of course, a shame that so much time passed, and so many survivors died, before Germany acknowledged

this responsibility. Germany overall has set a positive model for the world, one that few other nations have matched, in facing up to the evils of its history and paying about \$60 billion in reparations for admittedly unrighteous wrongs. But in the case of the East Europeans, it stalled for half a decade, offering varying unenthusiastic excuses.

Only when the American Jewish Committee went public with its tenacious campaign, beginning last spring, did it begin to make progress. Quiet State Department pressure and a Senate resolution endorsed by 82 senators also may have helped.

It will always be possible to complain — and it will always be true — that any compensation for Holocaust-related suffering is too little too late. In this instance, though, the emphasis should rather be on Germany's reversal of position, over easy for a government, and even more so on the belated recognition of the legitimate claim of survivors who have too long been ignored. For them, the modest amounts of money no doubt will matter greatly. But perhaps the knowledge that they and their suffering have not been forgotten will matter even more.

—THE WASHINGTON POST

Big Money for the NFL

The numbers are certainly astonishing, but the first word that pops to mind is not "Wow!" but "Why?" Four networks — ABC, CBS, Fox and ESPN — have agreed to pay the National Football League \$1.8 billion over eight years, about double the current price, for the right to televise professional football. That works out to something like \$35 million per game, including the playoffs.

As in football, there were winners and losers. CBS, which sat morosely on the sidelines for four years, outbid NBC for the rights to broadcast games played by the NFL's American Conference. NBC then challenged ABC for the Monday night games and lost. NBC will now ride the bench. Even so, its avid pursuit of the Monday night franchise suggested that, like the other networks, it regards football as an investment of talismanic importance.

The answer to why they feel that way cannot lie in the ratings. ABC's popular Monday night game has actually shown a slight decline since the 1980s. The real answers seem to have more to do with horseback guesses about demographics and with pride, tradition and morale.

Don Hewitt, the producer of "60 Minutes," the CBS show that was often delayed by football games in the days when CBS televised football games, put the matter succinctly: "I think it's like restoring a piece of the CBS logo." That sounds almost like a matter of manhood. To hear other CBS people tell it, the network's decision to return to football, whatever the cost, had plenty to do with manhood, or at least man. Our favorite quote on this score came from Chairman Michael Jordan: "The CBS brand skews older, and therefore our revenue per eyeball is somewhat less than our competitors."

Somewhere in that mediaspeak lies a core belief, shared by television executives and advertisers alike, that football is television's only reliable mechanism for attracting a large, steady audience of younger male viewers. Furthermore, according to media analysts, a network that loses its mead on Sundays cannot get them to watch other programs during the rest of the week, which means that it winds up with an audience of older women who spend less.

That does not sound completely logical. But that is what the networks believe, and that is why, when all is said and done, they hid so high.

—THE NEW YORK TIMES

Other Comment

Stand Down, Suharto

The man whose 32-year rule has taken Indonesia from a seething of unstable, poverty-stricken islands to a prosperous regional power is not credible as the man who must now take it through its next stage of development. Indonesia cannot be turned into a fully functioning democracy by March, so the next president will almost certainly be elected by the assembly specially drawn for the task. This means that he will be someone tolerated, if not picked, by the army. Too bad: that is the price to be paid for Mr. Suharto's refusal to make changes earlier. But it does not have to condemn the country to more of the same.

If Mr. Suharto now retires gracefully and the army sees that he is replaced by a reformer, it need not be too late to restore Indonesia's economic fortunes — and set it at last on the road to democracy.

—The Economist (London).

Take the IMF Medicine and You Will Soon Mend

By Michael Mussa and Graham Hacche

WASHINGTON — After IMF programs for several East Asian economies were announced late last year, the crises of those economies unfortunately deepened. This is not entirely unusual. It took time for Latin America's "tequila" crisis of 1994-1995 to begin to turn around.

The initial failure to restore stability in East Asia partly reflected inadequate implementation of IMF-supported programs in some cases, as well as the spread of problems and panic from one country to others.

However, with firm and consistent implementation of policies to correct the underlying causes of the present crises and to restore confidence, sustained recovery of the East Asian economies can begin before the year is out. The IMF is working to foster this result.

The repercussions of the economic turmoil affecting several East Asian countries will be significant. For 1997 and 1998 combined, economic growth in the five countries most affected — Indonesia, South Korea, Malaysia, the Philippines and Thailand — is expected to fall as much as 13 percentage points below long-term trends, with substantially larger shortfalls in domestic consumption and investment.

Spillover effects on other East Asian economies, together with domestic weakness in Japan, will cut about 4 percentage points from GDP in the Asia region by the end of 1998.

The industrial countries of North America and Western Europe will feel negative impacts from developments in Asia through worsening trade balances and investment returns, although there have been offsetting improvements in domestic growth performance.

For the world economy, the crises in Asia will cut roughly half a trillion dollars from collective GDP.

Despite recent signs of stabilization, conditions in East Asia have clearly deteriorated since early December.

Collapses of confidence, domestically and internationally, have induced dramatic declines in currency and equity values. These undoubtedly reflect market excesses and, in some cases, sheer panic. Neither their extent nor their timing can be explained by fundamental economic factors.

Their origins, however, can be traced to policy weaknesses, adverse developments in economic fundamentals and political uncertainties.

Paradoxically, long records of strong growth and generally sound policies probably worsened the crises. Success fostered large capital inflows. These inflows enhanced growth but became problematic when they fueled imprudent investments and unrealistic increases in asset values at a time of rapidly expanding domestic credit.

When problems emerged, past successes facilitated denial and contrib-

There is no way to avoid adjustment.

uted to wavering and inappropriate responses by the authorities, which, in turn, undermined confidence and deepened the crises.

More specifically, capital inflow and domestic credit expansion had fueled excess demand in the early to mid-1990s, as reflected in growing external current account deficits — especially in Malaysia and Thailand, and to a lesser extent in Indonesia, South Korea and the Philippines. Exchange rate inflexibility exacerbated these difficulties by artificially reducing perceived currency risks and limiting the scope for tighter credit policies.

Inadequacies in the regulation and supervision of financial institutions, limited experience of the personnel in

those institutions in managing risk, and poor corporate governance exacerbated dependence on short-term foreign borrowing. Inadequate disclosure of financial information delayed realization of these problems and contributed to the exaggerated collapse of confidence as the truth became more apparent.

Market discipline was further eroded by trade restrictions, import monopolies and excessive regulations that protected favored sectors and special interests.

Adverse developments abroad also contributed to the crises and their timing. Weak performance and low interest rates in many industrial countries spurred capital flows to emerging markets and artificially boosted the competitiveness of Asian countries with dollar-linked currencies, only to be dramatically reversed by the strong appreciation of the dollar starting in the summer of 1995.

This deterioration in competitiveness hit the growth of East Asian economies in 1996-1997 when world demand for many of their key exports was already weakening.

The falloff of capital flows to the economies now in crisis will deepen the pain of necessary economic adjustments as domestic demand falls even further and the required reductions in current account deficits are achieved. But there is no way to avoid adjustment.

What, more specifically, is needed? Monetary policies must be sufficiently firm to resist excessive currency depreciation, its inflationary consequences and downward pressure on partner countries' currencies.

Although monetary tightening is painful for the domestic economy and the financial system, the alternative is worse, since monetary laxity and rapid depreciation undermine confidence and feed panic by domestic borrowers with large foreign currency exposures.

As confidence is restored, interest rates can be lowered to more normal levels, although premature easing risks reversing that confidence.

Fiscal policies, although not an important cause of present crises, should contribute to reductions of current account deficits and help to amortize the cost of restructuring banking systems. Desirable fiscal adjustments must depend on individual circumstances and not be characterized by fixed targets that ignore cyclical conditions.

Financial sector weaknesses require urgent attention. Financial institutions and business enterprises already insolvent before the deepening of the present crisis should be closed to enforce appropriate discipline and facilitate early restoration of confidence. Weak but viable institutions should be promptly restructured and recapitalized.

Reforms of regulations and supervision should seek to institutionalize sound banking practices. Improved corporate and public sector governance, facilitated by enhanced transparency and accountability, is needed to reduce the risk of future crises.

Conditional loans from the international community to support determined adjustment and reform programs are appropriate to lessen the damage to countries in crisis and to the world economy. Such assistance, to be repaid with interest, is not a bailout. It is a wise investment with enormous returns for the world community.

If these policy approaches outlined by the IMF are pursued with determination, we will soon see stabilization. The East Asian economies will then be on the road to recovery.

Mr. Mussa is chief economist of the International Monetary Fund, and Mr. Hacche is assistant director for its Economic Studies Division. They contributed this comment to Global Viewpoint (Los Angeles Times Syndicate).

An Active French Role in the 1994 Genocide in Rwanda

By William Pfaff

PARIS — The rumors were right. A devastating series of articles just published in the Paris newspaper *Le Figaro* by its Africa specialist, Patrick de Saint-Exupéry, documents French official implication in the genocide committed in Rwanda in 1994.

Le Figaro quotes aid workers, officials and soldiers, together with evidence acquired by the United Nations in Rwanda and by a comprehensive Belgian parliamentary investigation whose damning results were published last month.

The newspaper says French forces took an active but secret part in fighting rebel Tutsi infiltration of Rwanda from 1992 forward, operating at front-line level. They were present during the 1994 genocide, and did not intervene. They helped the authors of genocide to escape.

The Tutsi invasion of Rwanda began in 1990, launched from English-speaking Uganda and supported by the Ugandan government. It was an attempt by this ethnic minority (some 10 percent of the Rwandan population) to reconquer a country they had ruled for the better part of the last two centuries. Most Tutsi

leaders had been driven into exile in the 1960s and 1970s.

The Hutu overtook Rwanda in 1990, and the Hutu government's democratic legitimacy was why France originally backed them against the invaders. But France was also motivated by what Mr. de Saint-Exupéry calls the "Fashoda syndrome" — President François Mitterrand's conviction that the Tutsi invasion was part of an effort by the United States to end French influence in Africa.

In 1898, France and Britain came close to war over control of the upper Nile region when French and British expeditions confronted one another at the town of Fashoda, in what now is southern Sudan.

Murders of Tutsi civilians began in early 1992. Belgian intelligence reported the existence of a secret Hutu government command charged with "exterminating the Tutsi of Rwanda... in order to make a final solution to the ethnic problem, and also to crush the (moderate) Hutu political opposition."

Western ambassadors made a joint protest to the Rwandan government in 1992, about the

killings. The French ambassador refused to take part, saying the reports of mass murder were "only rumors."

At roughly that same time, the Ugandan-based leader of the Tutsi visited Paris, and was told at the Foreign Ministry that unless the invasion stopped, "your brothers and families... will all be massacred."

In February 1993, an international commission denounced "acts of genocide" in Rwanda. President Mitterrand reportedly remarked to an associate the following summer: "In countries like that, a genocide is not very important."

The genocide proper began on April 6, 1994. By July more than a million Tutsi of Rwanda were slaughtered by Hutu fellow citizens, encouraged in this terrifying campaign by their government.

France's collaboration with the Hutu authorities continued for at least another month. There was a delivery of arms by July 18, long after a United Nations embargo had mandated a halt to all arms shipments. A French military interven-

tion was launched at the end of June. It was announced as a humanitarian mission but actually covered the retreat into Zaire of Hutu soldiers, militias and the officials responsible for the massacres — including those responsible for the fanatical ethnic propaganda that had incited genocide.

This policy of supporting the authors of genocide was chiefly the responsibility of Mr. Mitterrand, who under the French constitution is the ultimate authority in foreign policy.

It was carried out, and covered up, by successive conservative and Socialist governments, including the Socialist government now in power.

At present, in Bordeaux, the trial continues of Maurice Papon, an official of the wartime Vichy regime who is accused of crimes against humanity for having collaborated in Vichy's handing over of foreign and French Jews for extermination by Nazi Germany. His defense is that as a civil servant he obeyed orders, and had little personal latitude to resist.

This past week France celebrated the centenary of Emile Zola's famous article "J'accuse" denouncing the gross in-

justice done to Captain Alfred Dreyfus, a Jewish officer falsely accused of espionage and condemned to life imprisonment. Zola was forced into exile by that article, but Dreyfus was later vindicated.

Mr. de Saint-Exupéry writes that there is much hitherto in the French army today because of the role it was ordered to play in the Rwandan genocide. He quotes an internal army document which speaks of soldiers who "cracked, not because of the corpses and violence and hunting down of victims... but because of a sense of guilt."

There has been no open polemic, thanks to military discipline and esprit de corps, as well as to ingrained cynicism about politicians. The soldiers have been silent in public, although the articles in *Le Figaro* clearly draw on private confidences.

The army has been abandoned before by French governments, left with terrifying responsibilities for crimes committed by political leaders. Yet it must recognize the irony in the coincidence of these revelations with the Papon trial and with Zola's great cry for justice.

International Herald Tribune, Los Angeles Times Syndicate.

An American in Beijing on Weighty Military Business

By David Shambaugh

WASHINGTON — William Cohen arrives in Beijing this Saturday for three days of talks with Chinese military leaders. The visit is to be welcomed as an important element of the improving Chinese-American relationship — an important stabilizing force in regional and global security.

Defense Secretary Cohen, who is on a seven-nation swing through Asia, will raise several key issues with his interlocutors and will make tangible progress in some areas.

He will sign a military maritime safety agreement that spells out clear channels of communication between the two navies to prevent dangerous escalation of incidents at sea. This was precipitated by an encounter between the U.S. aircraft carrier *Kitty Hawk* and a Chinese submarine in international waters two years ago.

He will formally agree to a "road map" for military exchanges over the next year, and will lay out his vision for the development of U.S.-Chinese military ties in a speech to the Academy of Military Sciences. Exchanges are to be broadened, deepened and heightened.

This will include the announcement that the Central Military Commission vice chairman and new military supreme, General Zhang Wannian, will visit the United States in the spring.

But the real importance of the secretary's visit will lie in his discussions with China's brass and President Jiang Zemin. Several important issues will be high on the agenda.

China's military and national security planners continue to view with suspicion the forward deployment of 100,000 American military personnel in the East Asian region and the main-

tenance of five bilateral defense alliances in the region (with Japan, Australia, the Philippines, Thailand and South Korea).

China's leaders have now made it official policy that such alliances are antiquated relics of the Cold War that should be abandoned in favor of normal political and economic ties.

In particular, China continues to oppose the redefined U.S.-Japan Mutual Security Treaty and believes that it is aimed at facilitating American intervention in a conflict over Taiwan, expanding Japan's regional security role and maintaining military forces near China in order to "contain" it.

Mr. Cohen will have to address these sensitive Chinese perceptions, and more fundamentally explain to his hosts the purposes of America's military presence in East Asia and what it contributes to regional stability and security — which benefits China as much as every other nation in the region.

The secretary will try to engage China's military leaders in a detailed discussion of potential humanitarian contingencies in North Korea. China has heretofore been reluctant to enter into such contingency planning, arguing that it is not warranted because the situation is not dire. Mr. Cohen and his delegation need to learn more about the basis for such Chinese assessments, and to better convey the sense of urgency felt in Washington and Tokyo.

Taiwan is certain to come up in discussions. And it should, as it is the one issue that could bring the United States and China into a devastating military conflict. Candid exchanges on this sensitive issue are sorely needed.

Both sides will no doubt reiterate their respective policies, including mutual commitment to the peaceful resolution of the "Taiwan issue." The discussion should revolve around this key area of agreement.

Neither side seeks a return to the tensions of 1995-1996, and both sides desire an early resumption of direct and meaningful dialogue between Beijing and Taipei.

Mr. Cohen should re-emphasize, though, that coercion and threatened use of force on China's part — either to pressure Taiwan or to "resolve the problem" once and for all — are most counterproductive and will not be tolerated by the United States.

He is expected to press the need for increased transparency in the defense establishment and reciprocity in military exchanges. Many nations have urged China to make more public its true military spending, defense doctrine and planning, deployments and strategic intentions. Much of this information is already known to foreign governments and private sector analysts. To continue to try to hide what is already known only further raises suspicions.

Beijing needs more forthright publications in foreign languages, including defense white papers, that acknowledge this information. The army should engage foreign governments and specialists in frank dialogue over these issues.

The Secretary should press for greater reciprocity and access to Chinese military installations. What foreign military establishments show visiting Chinese delegations and what is open to official visitors in China are worlds apart. Such lack of

reciprocity does not build trust.

To be sure, Chinese progress on transparency and reciprocity must be gradual, and China should be given credit for the steps it has taken in recent years. But much more is needed. Unless there is greater openness and balance, continued improvement in U.S.-Chinese military ties cannot be expected.

Mr. Cohen will raise the subject of joint exercises and humanitarian relief, as well as greater involvement of Chinese forces in UN-sponsored peacekeeping operations. As a global power with global responsibilities, China should become more involved in such activities.

After a successful summit

between the two presidents this past fall, the Chinese-American relationship is back on track. East Asia and the world welcome this trend. Yet the rapprochement remains fragile.

For continued improvement, the relationship has to move from symbolic visits to substantive progress in key areas. Mr. Cohen's visit is an important step in the right direction.

The writer is professor of political science and international affairs and director of the Sigur Center for Asian Studies at George Washington University. He contributed this comment to the International Herald Tribune.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1898: British Favorite

LONDON — The Right Hon. Charles Villiers Villiers, Father of the House of Commons, is dead. Mr. Villiers caught a chill about a fortnight ago, and this, together with the excitement attending the celebration of his ninety-six birthday, brought on an illness from which it was apparent that there was little or no hope of recovery. When Mr. Villiers first entered the House of Commons he was a man of handsome presence and his courteous manners and ready wit soon made him a great favorite.

1923: Kremlin's View

MOSCOW — With the French occupying the Ruhr, the Greeks preparing to attack the Turks, the Lithuanians attacking Memel and the Lausanne Conference threatening to collapse, the Kremlin is sure that Europe is on the eve of another war. The

"Pravda" says: "Europe is drifting into a new war and at the same time drifting unperceived into the maelstrom of universal social revolution, and it is France, by her action in the Ruhr, that has brought this about."

1948: Truman's Right

WASHINGTON — President Truman says he is sure he is only a tenant in the White House, but he has just as much right to take a balcony on the second floor as Mrs. Millard Fillmore had to install a bathtub in the Executive mansion. The President snapped that one back at reporters who wanted to know if he was going ahead with his balcony project in spite of some Republican critics, who hold that a White House tenant has no right to alter the building. He said the people who felt that were the same type who wanted to lynch Mrs. Fillmore for putting in a bathtub.

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Bruce Nauman: Neon Wordplay Is Not Enough

By Michael Gibson
International Herald Tribune

PARIS — There appears to be a broad consensus in contemporary art institutions that the American conceptual artist Bruce Nauman, currently exhibiting at the Pompidou Center, has produced a body of work of considerable importance.

All the works on view are predictably minimal and make use of a broad variety of media including video, tape recordings, performance, neon signs and an occasional sketchy drawing. Visitors are confronted, among other things, with video films running simultaneously on separate screens placed around the room in which two or more talking heads unexpressively conjugate a simple litany of dreary statements.

Far from being illuminating, (except perhaps to someone majoring in analytical philosophy), all this can easily strike one as drearily pretentious and pedantic.

This immediately raises the question: If the work is so unenlightening and so intrusively boring, why write about it?

Chiefly because the earnest reception it is afforded in major museums appears symptomatic of the current situation of museum culture in the industrial world — and one may justifiably wonder at the motives behind this seemingly solid consensus.

Perhaps the answer lies in the manner young artists are recruited into the art world. One sometimes gets the feeling that today's art movements function after the manner of the schools of philosophy in antiquity or the religious orders in more recent times which tended to perpetuate themselves indefinitely, even after having lost their original impetus and relevance.

As experience has shown, an aging Dadaist is easily overcome with avuncular tenderness when he meets a youth who appears to be following in his footsteps, repeating his tired jokes, his familiar obsessions.

This is equally reassuring for museums that are governed by their own institutional logic and are obsessed by the genealogy of art — which is all very well when you are dealing, say, with the 16th or even the 19th century. But when you are on the front line of time, the temptation to seize on some emerging artist and favor him merely because he fits neatly into an empty genealogical niche is almost irresistible. It is also irresponsible.

THE fact remains that museums thrive on the art movements they were originally built and endowed to accommodate. After all, their reasoning goes, someone whose work bears a clear resemblance to that of Marcel Duchamp and who sips with the likes of John Cage and Jasper Johns must surely represent the great hope of the future — of the museum's future, that is.

And so, even as the significance of the impetus that originally brought such movements into existence fades, the works museums favor tend to resemble those of their founding figures. Duchamp, for instance, produced (among other things) a peculiar, unfunny variety of wordplay. So does Nauman — in neon.

Duchamp, it is generally agreed, made a number of pertinent philosophical points. Nauman attempts something similar, but while Duchamp addresses them from a strange philosophical remoteness, Nauman appears to assume a militant stance.



A 1993 example of Nauman's neon wordplay.

The museums, in any event, are bappy. They feel they are perpetuating an established value — both from the moral and the financial point of view.

But what about the public? Why should it be intimidated by this sort of work? I suspect that the answer lies in the work's supposed political content.

Nauman, like Joseph Beuys, whose prophetic mantle is now said to have fallen upon his shoulders, is a man who proclaims his art rooted in an ethical and existential concern.

"Basically," he declares, "my work is prompted by the anger I feel at the condition of man. Things that put me into a rage include our capacity for cruelty and people's ability to ignore situations they find unpleasant." Here we reach the heart of the matter, for the ethical — or rather the moralizing posture is the key to Nauman's success. Anyone in the audience want to stand up for cruelty and self-delusion?

BEUYS owed his success largely to the way his public posturing as a moral and political teacher was received in a guilt-ridden Germany. For in a society where no strong religious consensus prevails, the basic human need for meaning and guidance continues to gnaw at people's hearts and, failing any dominant religious authority, they hope to find illumination in art.

No matter that Beuys's views were shallow and incoherent, they were perceived as profound and virtuous. And virtue, today, has become strangely political. This was painfully apparent in a public debate organized last year at the Paris Beaux-Arts academy which was supposed to confront opposing views on contemporary art. The audience came, the speakers took their seats, and the debate immediately degenerated into a shameful melee in which one crowd sought to discredit the other by insinuating that its aesthetic preferences were tainted with fascism.

In fact it seemed quite appropriate that the fundamental issues should not be discussed, since the meeting had clearly turned into a battleground in a vicious power struggle opposing different factions of the French cultural establishment.

All this, of course, has nothing to do with art, which stands, so to speak, at the very edge of darkness wondering at how strange it is to be human and alive. Art does not, cannot point to a political or ethical truth. It can, however, help us to discover the community of human experience. And that, it seems, is the bedrock of both politics and ethics.

"Bruce Nauman," Pompidou Center, to March 9; Hayward Gallery, London, July-September; Tate Modern, London, October to January 1999.

On the Eve of Destruction? Some Solutions to the Looting of Cultures

International Herald Tribune

NEW YORK — If the ongoing disaster that clandestine digging represents with its trail of destruction is ever to be contained, less hypocrisy needs to be displayed by rich nations and institutions in the West and greater awareness by the poorer nations whose share of hidden wealth underground is the largest.

The complicated 1995 convention called Unidroit, the first international attempt at addressing the issue of stolen



Seventh-century bowl acquired by the Metropolitan Museum.

Souren Melikian

or illegally exported cultural objects, has been received with midaged enthusiasm. The representatives of four nations have voted for the text, but not one nation has yet ratified it.

Dealers do not take much notice of it other than to say it is unfair to the trade. They worry about it, like James Ede, chairman of the International Association of Dealers in Ancient Art set up in 1993, largely to fight back the Unidroit project, but feel unable, offhand, to say what the text implies for them that needs to be changed.

Fear has driven some to throw in the towel. Joseph Uzan who ran the Galerie Samarcande on Rue des Saints-Peres closed down and in 1996 sold his stock at Drouot. Fear can only increase with the court case currently involving a New York collector who may have to return to Italy a \$1 million gold shallow bowl from Magna Graecia. The New York dealer who sold it to him had bought it in Switzerland after having seen it in Sicily. Newly dug up material is clearly not kosher any more.

But even if more dealers desert the field and some collectors here lose their zest, this would not of itself resolve the destruction problem. Ede says that if those he calls "legitimate dealers," i.e. the declared, licensed dealers, are driven out, business will continue — underground. And any object dug up without being recorded, even of a known type such as the beautiful seventh-century B.C. bowl acquired from the New York dealer Jerome Eisenberg by the Metropolitan Museum, implies some loss to history — whether it concerns relative chronology, cultural influences or ritual.

Ede, and Eisenberg in the January-February issue of *Minerva*, also raise the question of chance finds. But the contention that these represent a substantial part of the market is a myth. Chance finds are the exception.

The weakness of Unidroit is its legalistic approach targeting "stolen works of art" rather than the greater problem — destruction. Ironically, a formal approach is also the one taken by the dealers. Ede, eager to defend the "legitimate trade" has little to say on how to prevent destruction.

Eisenberg, who prides himself on his ethics, also has a vivid sense of black humor. He writes: "I have tried to comply zealously with all of the American regulations and international treaties governing objects of cultural importance. I am unfortunately both an idealist

and a hypocrite since I have no doubt unknowingly bought many objects legally from galleries and auction houses in England, Germany, France and Switzerland that were once exported illegally from their country." An editorial in *The Art Newspaper* recently remarked indignantly that "70 percent of [excavated] objects filling shops are unprovenanced." So are those filling North American museums.

One of the elements in any solution must be to put an end to all that. An international agreement banning as of today all museum acquisitions through purchase, gift or bequest of all antiquities that cannot be proven to have been in the market before World War II would have a profound impact.

In the middle term, but then only, when the poorer source nations are convinced that the de facto colonial treatment to which their cultural heritage is still being subjected is a memory of the past, conditions for a nondestructive market could be devised. They are highly desirable. So much is buried underground that all the museums in the world would never hold all the objects, if they were to be excavated at once by archaeologists. As it is, a great deal lies heaped in miserable storerooms in some of the poorer countries, most of it undocumented.

Why not work out an international fund for archaeology, open to interested nations, funded in proportion to their gross national product, run by a small body (one politician with knowledge of art, if the bird can be found; three archaeologists; three art historians; three dealers; three collectors)? At the initiative of the nations, but under fund management, excavations would be conducted in which all objects deemed desirable as cultural property, for artistic or historical reasons, would be retained by the nation. Conservation would also be financed by the fund. The other objects, no less than one third, but up to half if desired by the nation, would be available for sale, possibly by auction, the proceeds going to a national archaeological fund.

A secondary fund, for art treasures, would deal with chance finds via its regional representations, paying half the full international art market value to the finders, the nation being given first refusal and financing to help with the purchase of items of cultural importance.

ATHIRD international fund, for museology, would aim at publishing succinct, well-photographed, commercially saleable museum catalogues desperately needed by the poorer countries, and indeed by the academics of the wealthy ones. It could be combined with university-museum teaching programs. The international agreements would not be exclusive of bilateral agreements on the basis of affinity (Turkey with the United States or Germany with France or Italy, etc.).

The destruction can be stopped if locals are convinced there is something in it for them. They would then be far more effective than the overstretched, underpaid and often inadequate police forces. Destruction is the ultimate evil, but the end of collecting would be an irreparable loss too, and under these conditions, it might survive.

Collecting alone can preserve the intimate knowledge of art that living with it generates. It is the basis of connoisseurship, and visual knowledge is as essential as the conceptual approach of academe. Those who fear that private possession removes objects from viewing by all must be reminded that public ownership all too often amounts to removal from the sight of all, in the obscurity of storage cupboards. Private connoisseurship is the crucial element that paradoxically guarantees the freedom of looking at art other than by institutional decree, in an environment, lighting and presentation included, that is not predetermined. It is imperfect, but without this imperfect process the Renaissance in Europe, or the Song revival in 11th-century China might have been very different.

The second of two articles.

MILAN MENSWEAR

Armani's Velvet Revolution

By Suzy Menkes
International Herald Tribune

MILAN — It was billed as the battle of the fashion titans — a three-way slug-it-out to be menswear designer for the millennium.

In one corner, the silver-haired Giorgio Armani, champion of the soft-suit since the 1980s. In the other, bantamweight Miuccia Prada, winner of the gold medal for minimalism.

For the first time in Europe, the all-American champ, Calvin Klein. Watch him flex those muscled male model bodies! See him punch those Europeans slap in the center of their cashmere-covered chests! And after all that buildup — no contest! Prada was out for the count, after showing suits so dull that the audience was reduced to counting raindrops on the glass roof and discussing the green tinge on black patent shoes.

Klein put up a respectable fight, with an assured and international collection, where the focus was to dense, light fabrics and sweater-soft jackets.

But Armani's velvet revolution — long poetic knitwear, slender coats and deep-pile velvet used for shirts through pants — made it his best menswear show in years. Although it was not the dramatic change the designer ushered in 15 years ago, it was still a substantial switch toward more romantic and languorous looks.

"Romantic? Yes! It's for a new man who's prepared to take risks," said Armani, who took his bow in a blizzard of applause after models in his skiwear collection had appeared like robotic snowmen on the runway.



Klein's zippered leather jerkin.

Recently, Armani's menswear line has seemed safe and a bit same-y — the fashion equivalent of a well-loved pair of slippers. This line was meltingly soft in its fabrics — the jersey suits, buttery leathers and the ever-present velvets — but it was firm in its silhouette, which was longer and more shapely, but streamlined from an unfussy neck. Instead of endless suits, there were lean coats in featherweight wools worn over dark shirts and pants to make a new business partnership. And the interest rate soared because the effect like checks or boneycomb were woven in relief. Or the fabrics were just of breathtaking quality, like the double-face coat, dove gray reversing to pinstripes.

Gray again? Of course. But Armani even dared to depart from neutrals, showing a sloppy twinset in cabbage green and bruised-plum sweaters. It was a very fine effort to move a signature look fast-forward.

Seeing Calvin Klein at the end of the runway, in sharp pin-striped jacket, with gray T-shirt, black cashmere V-neck and well-worn blue jeans, you realized what was missing from his show: that insouciant mix of sportswear and tailoring that America does so well.

The parade of sloping-shoulder suits, soft as a mist in stretch cashmere, and the short Wall Street coats in heathery tweeds had feel appeal. But they were just too safe to give the shiver of excitement the audience was expecting from Klein's Milan debut. On the plus side were such fall season: a spring-sky blue and parchment yellow for suede shirts square-cut into wannabe jackets. All Klein's leather looked especially covetable.

The problem was rather with the suits, modern when subtly mismatched or worn with polo shirts, and probably a dream to wear, yet they seemed weak below the waist, as though the confident jackets had melted into undefined pants. Like several shows this Milan season, the clothes needed to be touched rather than just seen. Or as Klein said at the pasta-by-candlelight party after the show: "It's all about softness."

Prada's show was a parody of itself. As the suits plodded out, on ecological-looking shoes, everything was so pared down and plain that it became a serious statement that there was a purse dangling under a short square jacket or that a thick-ribbed sweater was flipped back to show its nylon lining.

Like the city of Milan, where magical courtyards lurk behind dull exteriors, there was probably a lot going on behind the apparently soulless clothes on the runway. But with no information about fabric compositions and hidden details, nor any mission statement, it was hard to know if jackets were padded or why a fitted suit appeared without buttons.



Armani's velvet shirt-jacket.

The proportions were modern and so was the concept of turning both shirt and sweater into a jacket, so that a fine flannel top would pull on like an updated matelot jacket. Tailoring that merges with sportswear is hip and current. So were the two-way zippered jackets. But weren't all those endless Japanese-designer-style suits with thin leather ties just a bit sexless?

"Sexy clothes?" said Prada. "It's difficult to think about sex when men are dressed."

AFEW anti-minimalists try to buck the Milan trend for simple clothes in inventive fabrics, but the result often seems forced. Moschino jumped into the ring literally, since the show was staged as a boxing match — and hit the audience with prints, patterns, gimmicks and witty slogans, interspersed with the classic clothes that customers will buy. Eto's obscure sci-fi romp with blue bejeweled models looked like kiddies let loose in a fabric shop, without the services of a grown-up tailor — except for a few fine-tuned coats and sloppy sweaters.

Trussardi and Fosco pushed product to its luxury limit: leather for the former, fine wool fabrics for the latter. It made for elegant clothes, best when they had a sports-wear edge.

The trends of the Milan season are thick but light fabrics, tailoring integrated with deluxe sportswear, with a focus on leather shirts and jackets, jerseys and tabards and bias knitwear. The star show of week was indisputably Gucci, where designer Tom Ford's take on playboy glamour made light of serious and seductive clothes.

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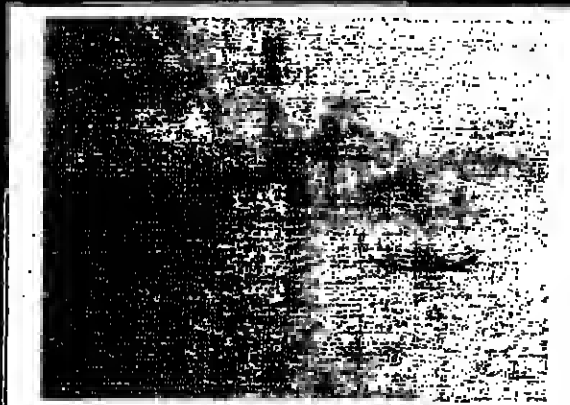
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The Battle of British Broadsheets

Drive for Readers Heats Up as The Times Gets Heavy

By Tom Buerkle
International Herald Tribune

LONDON — The battle for readers among Britain's national newspapers has heated up again, and the latest shot has landed with a thud on doormats. Stepping up its drive to become the country's biggest-selling broadsheet, The Times last week launched its largest issue ever, a greatly expanded Saturday edition that rivals its sister title, The Sunday Times, in bulk. The paper contained more than 100 pages in three main news sections, tabloid supplements for children, television listings and an arts review, and a 100-page glossy magazine. Not to be outdone, the rival Daily Telegraph beefed up its Saturday edition from seven sections to 10 in an effort to maintain its leadership. The hefty new editions are the latest sign that Saturday, once the slowest day of the newspaper publishing week, has become the main battleground in a ferocious, long-term struggle for dominance. Owners of Britain's four general-interest broadsheet papers, including The Guardian and The Independent, are spending millions of pounds to expand their coverage, engaging in cut-rate pricing and using cross-promotional gimmicks such as coupons for cheap airline flights to attract readers. "It is without a doubt one of the most competitive markets out there," said Richard Dale, a media analyst at Salomon Smith Barney in London. At first glance, the strategy seems to be working. While newspaper circulation is stagnant or declining in most Western countries and sales of Britain's mass-market tabloids have taken a hit, the broadsheets have enjoyed steady gains led by a resurgent Times. The daily sales rate of the four papers averaged 2.55 million copies in the second half of last year, up from 2.14 million four years ago. But profits are elusive even though national advertising revenues jumped by an estimated 10 percent last year. The Independent, the smallest of the four, posted a loss of about \$5 million (\$8 million) last year, and the failure of a September redesign to stem a decline in circulation has raised doubts about the paper's future. The other titles are part of larger media groups and don't release detailed results, but many analysts believe they also operate in the red. The competitive squeeze also poses a threat to the quality and diversity of the

papers, some observers fear. The papers run the risk of "going downmarket in a desperate scramble for readers," said Viscount Astor, a Conservative member of the House of Lords. He is supporting an Independent-led campaign for legislation to outlaw predatory pricing in the industry, a measure aimed squarely at The Times and its owner, Rupert Murdoch's News Corp. Executives at The Times make no secret of their ambition of overtaking the Telegraph, but they dismiss the pricing criticism and insist the paper is better than ever. Peter Stothard, editor of The Times, said the paper was shedding its "boring" and "elitist" image, replacing stodgy coverage of Parliament and other institutions with a more colorful focus

Hefty new editions are the latest sign that Saturday is the main battleground.

on political and lifestyle issues, personalities and improved commentary. Readers, especially the young, want the paper to be both relevant and "hot," he said. Cutting prices is simply the best way to get the new product into the hands of more potential readers and insure the paper's future, he said. Since The Times first began cutting prices in 1993, its daily circulation has more than doubled from a low of around 350,000 to an average of just under 800,000 today. The new Saturday edition, introduced at a price of 20 pence compared to 70 or 75 pence for its rivals, sold around 1.05 million copies, insiders say. The Saturday expansion is risky as it could siphon readers and profits from The Sunday Times, still the dominant weekend broadsheet. But Mr. Stothard insists there is room for both, and says the daily paper is nearing break-even after almost a century of losses. The Daily Telegraph, owned by Conrad Black's Canadian publishing company Hollinger Inc., sells 1.1 million copies a day but has acknowledged losing money on cut-rate subscriptions. Still, executives vow to stay ahead of their rival. "We benefit enormously from the fact that people don't trust Murdoch," said Charles Moore, the editor of The Daily Telegraph. The Daily Telegraph is doing "jolly well editorially," Mr. Moore said, with

better commentary, more stories and more scoops — although he drew a blank when asked to cite the latter. He also claims the Telegraph has maintained its conservative voice by resisting "Blair worship" and what he sees as the Labour government's obsession with image and style. The paper has led the attack on the government's costly millennium celebration as lacking values and direction, for example, but it dismissed calls for the resignation of Foreign Secretary Robin Cook over his marital infidelities. Ironically, the Times-Telegraph rivalry has become so obsessive that some critics say the papers are becoming mirror images. They share a similar layout, and on many days the main story and photograph selections are identical. What's more, both papers have targeted the same audience — the 25-45 year-old, upscale professionals prized by advertisers.

"We've all got this kind of Middle England focus group of the kind of reader we want to get," said Matthew Parris, a Times columnist and former Conservative member of Parliament. "The result is we're designing our product to look alike."

That cannot be said of the revamped Independent, which usually puts only two big stories on the front page and eliminates the traditional categorization of news along domestic, international or political lines. Critics call it a slick attempt to disguise a slashed news budget, but the editor, Andrew Marr, insists the paper is responding to readers.

"The old politics, politics, politics no longer seems as relevant to younger readers," he said. "Power has migrated from certain kinds of institutions to the market." The Guardian, meanwhile, maintains a steady circulation of around 400,000 and a loyal, core audience of left-leaning readers. The paper has done some of the most aggressive reporting in recent years, hounding two Conservative members of Parliament out of office for corruption, and claims the political inside track today. If readers "want to read about the Labour government, they have to read us," said Alan Rusbridger, the editor. That view is not shared at No. 10 Downing Street, where officials believe The Guardian dishes out harsher criticism from the left than either the Times

See NEWSPAPERS, Page 13

Indonesia's Currency Resumes Its Slide Despite New IMF Deal

Huge Debt Burden and Political Uncertainty Remain, Analysts Say

By Seth Mydans
New York Times Service

JAKARTA — The International Monetary Fund got virtually everything it wanted from President Suharto. Yet Friday, a day after he reluctantly agreed to a major restructuring of Indonesia's economy, the country's weakened currency resumed its slide. The international marketplace, which has become the de facto arbiter of Indonesia's economic policies, still did not seem satisfied. The risks and uncertainties here, several financial analysts said, remained too great. The currency ended here Friday at 8,450 rupiah to the dollar — 6.5 percent lower than its value when the economic package was announced Wednesday morning. The dollar had risen as high as 9,000 rupiah in intraday trading, not far from the level of 10,000 that set off panic last week. That panic has eased now, but confidence in the future does not yet appear to have been restored. As Indonesians look ahead, there is still no solution to the crippling burden of private debt that is dragging down their economy, and there are still no signals about the country's tenuous and potentially chaotic political future. Darang Mahjoe, an analyst with ING Barings in Singapore, said: "I'm sure the IMF and the World Bank stood up from the table rubbing their hands with glee. This was their wish list."

He added, "But at the end of the day, Indonesia has a chronic foreign debt problem, and there was nothing offered in the package that would suggest that that would be any easier to manage."

Indonesia's stock market rose 6.9 percent Friday, but analysts said it was a poorer indicator of confidence than the currency market. Most other stock markets across the region also rose, with Thailand gaining 5.2 percent and Malaysia 2.8 percent. If the decline in the rupiah continues next week, analysts said, the country's burden of about \$65 billion in dollar-denominated foreign debt will continue to swell in rupiah terms, pushing more companies toward default and slowing the economy still further.

Worries were compounded by an impending fuel-price increase caused by Mr. Suharto's agreement to end subsidies and by new predictions contained in Wednesday's package of zero growth this year, accompanied by 20 percent inflation. Mr. Suharto received encouragement from the United States, which along with other nations had pressured him to agree to the IMF's terms. Lawrence Summers, the deputy U.S. Treasury secretary, said Friday that the announced reforms had increased Indonesia's stability. Success in restoring the country's economic health is crucial now to Mr.

Suharto's political future. The crisis has intensified the long-simmering dissatisfaction with his 32-year rule, and the political temperature is already rising in advance of his expected reappointment as president at a nominating convention in March. For many Indonesians, Mr. Suharto has failed to restore confidence in his own leadership. "This is an old fox," one Indonesian political analyst who asked not to be named said of the president. "If he's in a corner, he says to everyone, 'Yes.' Then when he's out of the corner, he goes back to doing everything his own way."

Bank of China Takes U.S. Fed as Its Model

By Seth Faison
New York Times Service

BEIJING — The governor of the central bank unveiled a reorganization plan for China's banking system Friday aimed at making it more professional and less political, an ambitious move that reflects the eagerness of the nation's leaders to keep the Asian financial crisis from engulfing them. Dai Xianglong, chief of the People's Bank of China, said tackling the nation's endemic problem of bad debt and political lending would require a completely different system of supervising banks, one modeled on the U.S. Federal Reserve. "We have to ensure that commercial banks will operate according to law, not open to interference by any organization or individual," Mr. Dai said at a news conference. But the plans that Mr. Dai outlined involve such a deep shift in practice and philosophy that it is questionable how much real change can be achieved with China in the middle of a wrenching shift

from a planned to a market economy. Mr. Dai, however, said this was precisely the time for a bold reorientation, and he pledged to complete a reorganization of the financial system in just three years, mirroring the government's plans to sell off the bulk of its state-owned enterprises by the end of 2000. "Just as state-owned enterprises are the key to enterprise reform, the central bank is key to financial reform," Mr. Dai said. Specifically, Mr. Dai said the central bank would eliminate the branches it now operated in each of China's 30 provinces and instead establish regional headquarters along the lines of the U.S. Federal Reserve. Doing so, he said, would help prevent local authorities from forcing local banks to finance their pet projects. "We will, in a planned and step-by-step manner, close the provincial branches of the People's Bank of China and set up a certain number of inter-provincial branches directly under the

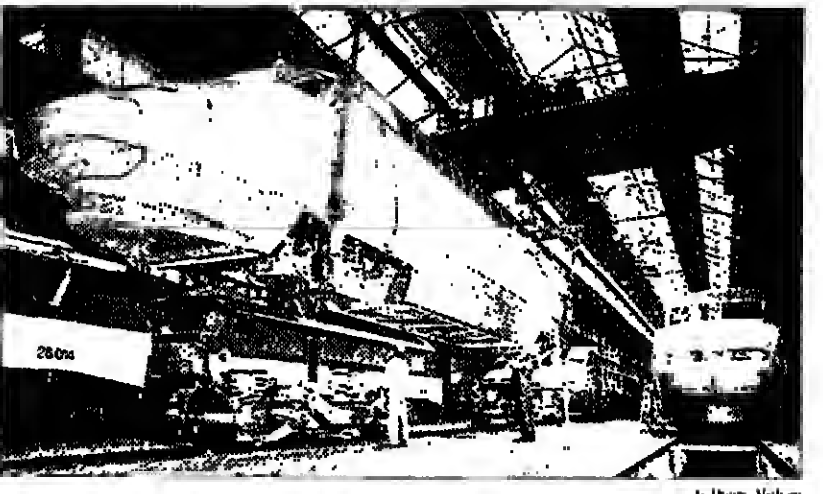
See CHINA, Page 13

Seoul to Slow High-Speed Train Project

New Budget Will Put Brakes on, if Not Derail, Building of TGV Line

By Don Kirk
International Herald Tribune

SEOUL — The new administration of President-elect Kim Dae Jung has singled out the project to build a high-speed railroad from Seoul to Pusan for budget cuts that are sure to slow it down if not throw it entirely off track. A team from the British-French engineering company GEC Alsthom is going ahead on the project along with a dozen Korean concerns, but a top member of Mr. Kim's entourage said Friday that budget considerations alone dictated that "the speed of implementation has to be adjusted." In Paris, GEC Alsthom confirmed that a Korean government commission had asked the Korea High Speed Rail Construction Authority "to consider the possibility of postponing the construction of part of the dedicated high-speed line." But Jean-Georges Micol, a company spokesman, said the authority had instructed the company "to continue the work to the agreed schedule."



A new TGV, whose "speed of implementation has to be adjusted."

ident's political base throughout his career and the high-speed train's final destination if it ever goes that far. "The way the project has been implemented, there has been a lot of inefficiency," Mr. Yoo said. "The project has not been considered very carefully." Kim Young Sam's government signed a \$2.1 billion contract in 1994 for GEC Alsthom to lead a consortium in providing the technology and rolling stock for a high-speed train modeled after the Train a Grande Vitesse in France. The entire line, if completed, would be capable of carrying more than half a million passengers a day aboard 46

trains made up of 20 cars, powered by locomotives at either end, for the 412-kilometer (260-mile) journey between Seoul and Pusan. The trip on the TGV would take less than two hours, compared with about five hours on existing train service. South Korean contractors are responsible for the civil engineering aspects of the work and have already begun working on the infrastructure from Seoul to Taegu, 281 kilometers southeast of Seoul. But work from Taegu to Pusan has not been started. GEC Alsthom said that if Korean authorities were to postpone construction

See TRAIN, Page 13

CURRENCY & INTEREST RATES

Cross Rates									
	\$	£	DM	FF	Yen	Scd	Swf	DKr	Other
Australia	1.55	0.65	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Canada	0.70	0.28	0.65	0.65	0.65	0.65	0.65	0.65	0.65
France	6.55	2.60	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Germany	1.93	0.75	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Italy	1.93	0.75	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Japan	108.00	42.00	20.00	20.00	20.00	20.00	20.00	20.00	20.00
UK	0.65	1.00	1.35	1.35	1.35	1.35	1.35	1.35	1.35
US	1.00	0.75	1.35	1.35	1.35	1.35	1.35	1.35	1.35
Other	1.35	0.50	1.35	1.35	1.35	1.35	1.35	1.35	1.35

Libor-Libor Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Swf	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DKr	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Key Money Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Swf	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DKr	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Other Dollar Values									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Swf	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DKr	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Forward Rates									
	1-month	3-month	6-month	9-month	12-month	18-month	24-month	36-month	48-month
US	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
UK	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DM	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
FF	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Yen	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Scd	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Swf	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
DKr	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50
Other	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50

Italy Insists Economy Will Remain Euro-Class

Compiled by Our Staff From Dispatches

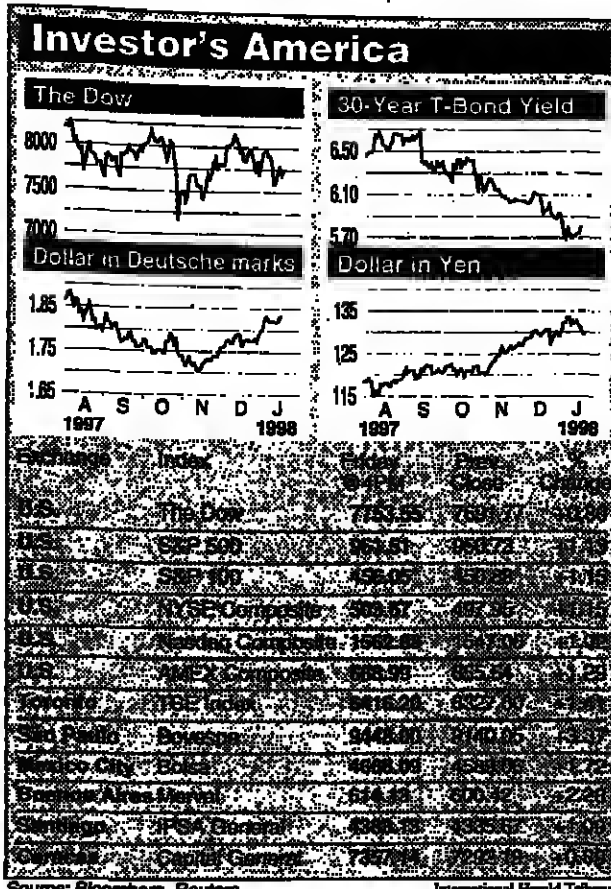
ROME — The government released a 35-page document to the European Union and its member states Friday that seeks to dispel doubts about Italy's eligibility for the European single currency next year. In the document, Italy insists that its economy will continue to meet the single-currency requirements over time, seeking to allay concerns about the sustainability of recent reductions in its debt, deficit and inflation rate. Italy's bid to join the currency, to be called the euro, has been thrown into question recently amid reports of Dutch and German concerns that the country's recent success in battling inflation and high government borrowing will prove only temporary. EU finance ministers, including Italy's Carlo Azeglio Ciampi, are to gather in Brussels on Monday to scrutinize Italy's 1998 budget. "There has been a change of regime since 1992 affecting all the institutional determinants of economic decisions in both the public and private sectors," the

document said. "The seeds of a broadly shared culture of stability have been planted in Italian society." To qualify for the single currency, a country must have a budget deficit of 3 percent or less of its gross domestic product and a national debt amounting to 60 percent or less of GDP. It must also ensure exchange-rate stability and bring its inflation and long-term interest rates down to near those of the best-performing European Union member states. Klaus-Dieter Kuehnbacher, a member of Germany's central bank council, said Friday there were good reasons to be slightly critical of Italy's prospects to take part in the euro. "There are good reasons for viewing Italy somewhat more critically," he said. "It has a very high debt level."

Italy's debt, which is the EU's second-highest and more than double the tolerated euro threshold; and its deficit, which as recently as 1992 peaked at 12.1 percent of gross domestic product, four times the level allowed for a single-currency participant. The talk elsewhere in Europe is that Italian inflation, debt and deficits, though currently falling, could skyrocket if the euro is launched with Italy in it, putting inflationary strains on the future currency and weakening it. The document drawn up by Italy maintained that there was no reason for worry on any of those fronts. Inflation, it said, would remain in check in the years to come because of the combined effect of tight monetary policy, a slowdown in wages and productivity gains that would push down labor costs. The Treasury document conceded that Italy's public debt would come to an estimated 122.5 percent of its GDP in 1997, but it said the debt had been "decreasing at an accelerating pace."

(Bloomberg, Reuters)

THE AMERICAS



Tokyo's Plan On Economy Aids the Yen

NEW YORK — The yen gained against the dollar Friday after Japanese government officials said they would push for new measures to revive the economy.

Prime Minister Ryutaro Hashimoto said he would support a plan to allow banks to mark up the value of their property holdings to current prices, making it easier for them to pay back loans in danger of default. An Economic Planning Agency official said the government also might announce other steps to hasten economic growth.

The announcements lifted Japanese stocks and helped Asian financial markets rebound, which benefited the yen.

"The mood is very positive toward Japan," said Elena Shepelin, chief currency trader at Banco di Sicilia. "There's a good possibility Japan's new measures are going to work. That and the Asian surge have pushed up the yen."

But Richard Koss, international market strategist at Maria F. Ramirez, Inc., said the yen's gains were limited.

"Upward corrections in the yen seem more to do with correcting a technically oversold situation than they reflect fundamental changes," he said. "Even if the worst is over with respect to the Japanese stock market and banks. And that's not at all clear."

In 4 P.M. trading, the dollar was at 129.25 yen, down from 129.87 yen Thursday. The dollar firmed against some European currencies as U.S. traders bought dollars in a shortened session of trading ahead of the Martin Luther King holiday Monday.

"Folks don't want to go home short dollars," one trader said.

The Deutsche mark fell despite comments by a Bundesbank council member, Klaus-Dieter Kuehnbacher, that there was good reason to judge Italy more critically when deciding which nations should join the planned single European currency.

As the lira has historically been less stable than the mark, the German currency benefits from speculation it will not be merged with the lira.

The dollar was quoted at 1.8333 DM, up from 1.8315 DM. The U.S. currency was unchanged at 1.4980 Swiss francs but rose to 6.1425 French francs from 6.1350 francs. The pound rose to \$1.6340 from \$1.6305 (Bloomberg, Reuters).

FOREIGN EXCHANGE

NEW YORK — Stocks rose Friday after a big rally in Tokyo inspired bargain-hunters to snap up shares that slid Thursday.

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The Dow Jones industrial average closed 61.78 points higher at 7,753.55. The broader market also posted gains, with the Standard & Poor's 500 index rising 10.78 points to 961.51 and gaining issues outpacing losing ones by a 3-to-1 ratio on the New York Stock Exchange.

Traders took heart from a 6.11 percent jump in Tokyo's benchmark Nikkei stock index. Other Asian markets, including Hong Kong, Malaysia and Thailand, also rose.

"The feeling now, at least for today, is that the worst is over maybe for Japan as well," said Michael Metz, chief investment strategist at CIBC Oppenheimer.

That sentiment also was reflected in the Treasury bond market, where prices fell as the perceived need for a haven for funds eased. The price of the benchmark 30-year issue closed down 1 1/2 points, at 104 1/2, taking the yield up to 5.81 percent.

Bonds have rallied since late October as Asian financial markets tumbled. Now investors are regaining some confidence in the region as reform measures are introduced, international banks extend deadlines on some loans and the International Monetary Fund provides money.

"It looks like they're completing the first phase of reform," said John

Revamping, Seagate Plans 10,000 Job Cuts

Seagate Technology Inc., the world's largest independent maker of computer disk drives, will dismiss 6,000 workers, most of them in Singapore, Ireland and the United States, in the first wave of a restructuring to eliminate 10,000 positions.

In the face of falling sales, Seagate, based in Scotts Valley, California, said Thursday it was cutting about 10 percent of its worldwide work force as part of a restructuring announced last month. Like other disk drive makers, Seagate is burdened with excess inventory and suffering from declining profit margins.

Seagate warned last week that it would lose money in its financial second quarter as prices continued to plummet and the company moved to slow production and cut costs. It will release details about charges associated with the restructuring when it reports results on Tuesday.

The company will eliminate jobs in phases. "The second phase of the restructuring effort will take place during February within Seagate's operations in Thailand and Malaysia," a Seagate spokesman said.

Seagate's \$70 million plant in Cebu, Philippines, which was to start making recording components this year, will still be built, the spokesman said. However, there are no plans yet to install production equipment in the factory.

"The long-term plan for Cebu is uncertain," the spokesman said.

Quantum Corp., the world's second-biggest independent disk drive maker, said Friday that it did not expect to cut any more jobs during the current difficult conditions in the industry. But on Thursday it said its third-quarter profit fell

10 percent because of plummeting prices.

In response to Seagate's job cuts, the Economic Development Board in Singapore said the country's hard-disk-drive sector was expected to register positive growth in 1998 after improving by 13 percent in 1997.

Other sectors of Singapore's electronics industry, like semiconductor and communications, are also expected to grow this year, the board said.

The board said that Seagate's job cuts would enable the company to overcome excess inventory and price competition.

"Periodic restructuring and business cycle in fast-moving sectors such as electronics are expected," a statement issued by the board said. "Singapore's industrial base will stay competitive and continue to register growth."

(Bloomberg, Reuters)

Asian Rebound Helps Lift Blue-Chip Stocks

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Poole at Mellon Private Asset Management.

Sun Microsystems rose 115/16 to close at 44 1/2 after the company said its second-quarter profit jumped 25 percent, spurred by strong sales of its high-performance servers and storage devices.

Sun earned \$23.2 million in the quarter, up from \$17.83 million a year earlier, as revenue rose 18 percent, to \$2.45 billion. The results did not include a one-time charge of \$110.1 million for research and development associated with acquisitions.

Sun's gain helped lift the technology-heavy Nasdaq index 15.82 points to close at 1,562.88.

"Tech stocks are the leaders in this market, so as technology stocks go, so goes the market," said Richard Ciardullo, head of trading at Liberty Asset Management. "When those stocks do better, more money comes into the market."

Ascend Communications rose 1 1/16 to 30, Microsoft added 2 13/16 to 135 1/4, and Dell Computer gained 1 1/16 to 92 11/16.

Banking stocks, which had been battered by worries about exposure to Asia's troubled economies, also rose. J.P. Morgan closed with a gain of 1 1/16 at 106 9/16, Citicorp rose

Very briefly:

- Kohlberg, Kravis, Roberts & Co. is negotiating to buy Regal Cinemas Inc. for more than \$1 billion, in what would be its second acquisition in the movie-theater business in less than two months, people familiar with the situation said. The acquisition firm bought Norman Lear's Act III Theatres Inc. for \$660 million last month.
- Crescent Real Estate Equities Inc., headed by the investor Richard Rainwater, agreed to buy Station Casinos Inc. for \$1.7 billion in securities and assumed debt. Station, based in Las Vegas, also has gambling facilities in Missouri.
- Mellon Bank Corp.'s net credit losses tripled in the fourth quarter, to \$106 million, mostly from its CornerStone credit-card program and commercial real-estate loans.
- The World Trade Organization established a dispute-settlement panel to examine a South Korean complaint against U.S. anti-dumping duties on dynamic random-access memory computer chips.
- KLM Royal Dutch Airlines NV plans to complete the sale of its U.S. alliance partner, Northwest Airlines Corp., by May 1, more than two years ahead of schedule. KLM said it would receive \$775 million for its 16.8 percent holding.
- Ford Motor Co. plans to invest \$150 million in a Russian car plant and hopes to announce a joint production venture in the first half of 1998.

Toyota Expands U.S. Engine Plant

CHARLESTON, West Virginia — Toyota Motor Corp. said Friday that it would spend \$300 million to expand an engine plant under construction in West Virginia, creating 300 more jobs and pushing total investment past \$700 million.

About 200,000 six-cylinder engines will be produced for the Camry, Avalon and Solara cars and the Sienna minivan at the plant in Buffalo, West Virginia, company officials said.

AMEX

Friday's 4 P.M. Close
The 300 most traded stocks of the day, up to the closing on Wall Street.

Stock	High	Low	Open	Close
AMEX	100.00	99.00	99.50	100.00
AMEX 100	100.00	99.00	99.50	100.00
AMEX 200	100.00	99.00	99.50	100.00
AMEX 300	100.00	99.00	99.50	100.00
AMEX 400	100.00	99.00	99.50	100.00
AMEX 500	100.00	99.00	99.50	100.00
AMEX 600	100.00	99.00	99.50	100.00
AMEX 700	100.00	99.00	99.50	100.00
AMEX 800	100.00	99.00	99.50	100.00
AMEX 900	100.00	99.00	99.50	100.00
AMEX 1000	100.00	99.00	99.50	100.00
AMEX 1100	100.00	99.00	99.50	100.00
AMEX 1200	100.00	99.00	99.50	100.00
AMEX 1300	100.00	99.00	99.50	100.00
AMEX 1400	100.00	99.00	99.50	100.00
AMEX 1500	100.00	99.00	99.50	100.00
AMEX 1600	100.00	99.00	99.50	100.00
AMEX 1700	100.00	99.00	99.50	100.00
AMEX 1800	100.00	99.00	99.50	100.00
AMEX 1900	100.00	99.00	99.50	100.00
AMEX 2000	100.00	99.00	99.50	100.00
AMEX 2100	100.00	99.00	99.50	100.00
AMEX 2200	100.00	99.00	99.50	100.00
AMEX 2300	100.00	99.00	99.50	100.00
AMEX 2400	100.00	99.00	99.50	100.00
AMEX 2500	100.00	99.00	99.50	100.00
AMEX 2600	100.00	99.00	99.50	100.00
AMEX 2700	100.00	99.00	99.50	100.00
AMEX 2800	100.00	99.00	99.50	100.00
AMEX 2900	100.00	99.00	99.50	100.00
AMEX 3000	100.00	99.00	99.50	100.00
AMEX 3100	100.00	99.00	99.50	100.00
AMEX 3200	100.00	99.00	99.50	100.00
AMEX 3300	100.00	99.00	99.50	100.00
AMEX 3400	100.00	99.00	99.50	100.00
AMEX 3500	100.00	99.00	99.50	100.00
AMEX 3600	100.00	99.00	99.50	100.00
AMEX 3700	100.00	99.00	99.50	100.00
AMEX 3800	100.00	99.00	99.50	100.00
AMEX 3900	100.00	99.00	99.50	100.00
AMEX 4000	100.00	99.00	99.50	100.00
AMEX 4100	100.00	99.00	99.50	100.00
AMEX 4200	100.00	99.00	99.50	100.00
AMEX 4300	100.00	99.00	99.50	100.00
AMEX 4400	100.00	99.00	99.50	100.00
AMEX 4500	100.00	99.00	99.50	100.00
AMEX 4600	100.00	99.00	99.50	100.00
AMEX 4700	100.00	99.00	99.50	100.00
AMEX 4800	100.00	99.00	99.50	100.00
AMEX 4900	100.00	99.00	99.50	100.00
AMEX 5000	100.00	99.00	99.50	100.00
AMEX 5100	100.00	99.00	99.50	100.00
AMEX 5200	100.00	99.00	99.50	100.00
AMEX 5300	100.00	99.00	99.50	100.00
AMEX 5400	100.00	99.00	99.50	100.00
AMEX 5500	100.00	99.00	99.50	100.00
AMEX 5600	100.00	99.00	99.50	100.00
AMEX 5700	100.00	99.00	99.50	100.00
AMEX 5800	100.00	99.00	99.50	100.00
AMEX 5900	100.00	99.00	99.50	100.00
AMEX 6000	100.00	99.00	99.50	100.00
AMEX 6100	100.00	99.00	99.50	100.00
AMEX 6200	100.00	99.00	99.50	100.00
AMEX 6300	100.00	99.00	99.50	100.00
AMEX 6400	100.00	99.00	99.50	100.00
AMEX 6500	100.00	99.00	99.50	100.00
AMEX 6600	100.00	99.00	99.50	100.00
AMEX 6700	100.00	99.00	99.50	100.00
AMEX 6800	100.00	99.00	99.50	100.00
AMEX 6900	100.00	99.00	99.50	100.00
AMEX 7000	100.00	99.00	99.50	100.00
AMEX 7100	100.00	99.00	99.50	100.00
AMEX 7200	100.00	99.00	99.50	100.00
AMEX 7300	100.00	99.00	99.50	100.00
AMEX 7400	100.00	99.00	99.50	100.00
AMEX 7500	100.00	99.00	99.50	100.00
AMEX 7600	100.00	99.00	99.50	100.00
AMEX 7700	100.00	99.00	99.50	100.00
AMEX 7800	100.00	99.00	99.50	100.00
AMEX 7900	100.00	99.00	99.50	100.00
AMEX 8000	100.00	99.00	99.50	100.00
AMEX 8100	100.00	99.00	99.50	100.00
AMEX 8200	100.00	99.00	99.50	100.00
AMEX 8300	100.00	99.00	99.50	100.00
AMEX 8400	100.00	99.00	99.50	100.00
AMEX 8500	100.00	99.00	99.50	100.00
AMEX 8600	100.00	99.00	99.50	100.00
AMEX 8700	100.00	99.00	99.50	100.00
AMEX 8800	100.00	99.00	99.50	100.00
AMEX 8900	100.00	99.00	99.50	100.00
AMEX 9000	100.00	99.00	99.50	100.00
AMEX 9100	100.00	99.00	99.50	100.00
AMEX 9200	100.00	99.00	99.50	100.00
AMEX 9300	100.00	99.00	99.50	100.00
AMEX 9400	100.00	99.00	99.50	100.00
AMEX 9500	100.00	99.00	99.50	100.00
AMEX 9600	100.00	99.00	99.50	100.00
AMEX 9700	100.00	99.00	99.50	100.00
AMEX 9800	100.00	99.00	99.50	100.00
AMEX 9900	100.00	99.00	99.50	100.00
AMEX 10000	100.00	99.00	99.50	100.00

U.S. STOCK MARKET DIARY

Dow Jones					Most Actives				
Open	High	Low	Close	Chg.	NYSE				
7727.37	7803.17	7691.77	7728.55	+41.78	Bonding	714.68	44.66	49.0	42.94
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	102.75	2.04	2.0	1.99
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	95.41	1.90	1.9	1.89
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	62.62	1.45	1.4	1.44
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	45.74	1.09	1.0	1.08
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	38.25	0.89	0.8	0.88
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	32.75	0.74	0.7	0.73
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	28.25	0.64	0.6	0.63
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	24.75	0.54	0.5	0.53
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	21.25	0.44	0.4	0.43
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	17.75	0.34	0.3	0.33
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	14.25	0.24	0.2	0.23
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	10.75	0.14	0.1	0.13
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	7.25	0.09	0.0	0.08
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	3.75	0.04	0.0	0.03
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	2.25	0.02	0.0	0.01
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.75	0.01	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.25	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
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7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
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7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77	7728.55	+41.78	Boji	0.00	0.00	0.0	0.00
7727.37	7803.17	7691.77							

EUROPE

Moscow to Kill Off Most of 'Babyflot' Carriers

Compiled by Our Staff From Dispatches

MOSCOW — Russia sounded the death knell Friday for most of the small, rickety airlines that succeeded the Soviet monolith Aeroflot, saying it would close more than 250 of them in the next two years.

A senior aviation official said the number of registered airlines would be cut to 53 from 315 by excluding those whose finances and safety standards do not meet tough new targets.

"We plan to have eight airlines with federal status and another 40 to 45 regional carriers by the year 2000," said Ivan Valov, first deputy head of the Russian Aviation Service.

Aeroflot's Soviet-era monopoly

Rules to Ground Small Airlines by 2000

on Russian domestic and international flights ended in 1992 when it was split into about 500 little "babyflot" private airlines and some larger companies. What was left of Aeroflot remains Russia's leading, flagship carrier, a publicly traded company with the most of the available routes into and out of the vast Russian Federation.

Mr. Valov said 315 airlines, using a total of 943 aircraft and helicopters, remain registered, but that just 40 carriers carried 90 percent of all Russian passenger and cargo.

"All in all, 65 Russian airlines went bankrupt in 1997 because they had serious financial problems and failed air safety rules," he

said, "while 36 new airlines began operations." More than 100 airlines went bankrupt in 1996.

Mr. Valov said the government would introduce stricter certification rules soon to test carriers' financial and technical health. "Only strong companies will stay in the market," he said.

"Reducing the number of airlines is a normal way to build a civilized market," said Pavel Druzimkov, general director of the Don-Avia airline based in southern Russia.

Some managers welcomed a stronger involvement of the government and local authorities in helping and controlling airlines.

Mr. Valov said 80 people died in

civil air crashes in Russia last year, down from 219 in 1996, adding that they had all involved charter, rather than scheduled flights.

"Last year was successful for Russian carriers operating regular domestic and international flights, as was 1996, when the airlines also had no fatal crashes," he said.

Many of the crashes in recent years have been blamed on poor maintenance and lax controls at small carriers that neglected flight safety to improve earnings.

Russian airlines lost a combined 450 billion rubles (about \$1.2 billion) in 1997, Mr. Valov said, but he forecast improvement in the sector.

"The crisis is behind us," he said. (Reuters, AP)

Asia Dents '97 Earnings At Telekom

Compiled by Our Staff From Dispatches

BONN — Deutsche Telekom AG said Friday it had taken a 1.5 billion Deutsche mark (\$822.4 million) charge against its 1997 earnings for risk provisions on Southeast Asian holdings and losses at its Global One venture.

After the charge, group net profit was 3.3 billion DM, up 83 percent from the year before but considerably lower than expectations of about 5.5 billion DM. Sales rose 6.7 percent, to 67.1 billion DM.

Telekom said it would pay its planned dividend of 1.20 DM a share for 1997 but only by paying out its entire net profit.

"We had to take account of the crisis on Southeast Asian currency and financial markets," the company said. "Provisions were taken in the preliminary results for all foreseeable risks to investments of Deutsche Telekom in this region."

The company also warned of further risks if the crisis worsened. The Global One corporate communications venture with France Telecom and Sprint Corp. has not met the company's expectations, and its main Asian holdings — PT Sateindo of Indonesia, Technology Resources Industries Bhd. of Malaysia and Asia Communications Inc. of the Philippines and Asiacom Philippines Inc. — have been hit by economic turmoil in the region.

Other losses resulted from foreign mobile communications holdings. The company has a number of mobile-phone holdings in China, Poland, the Czech Republic and in the United States.

Analysts said they also were surprised by higher-than-expected start-up costs at Global One. Telekom said Friday that the partners had launched a reorganization at the alliance, which they formed in 1996 to offer multinationals "one-stop" international phone services. "I think that Global One contributed more to this loss than Southeast Asia," said Sabine Schaner, an analyst at Commerzbank AG. "No one thought the write-offs would be this big. Global One appears to have lost its direction."

Global One refused to comment on a report published last month that its 1997 loss might rise as high as \$280 million. (Reuters, Bloomberg, AFP)

Funds Shun European Bank Bonds

Bloomberg News

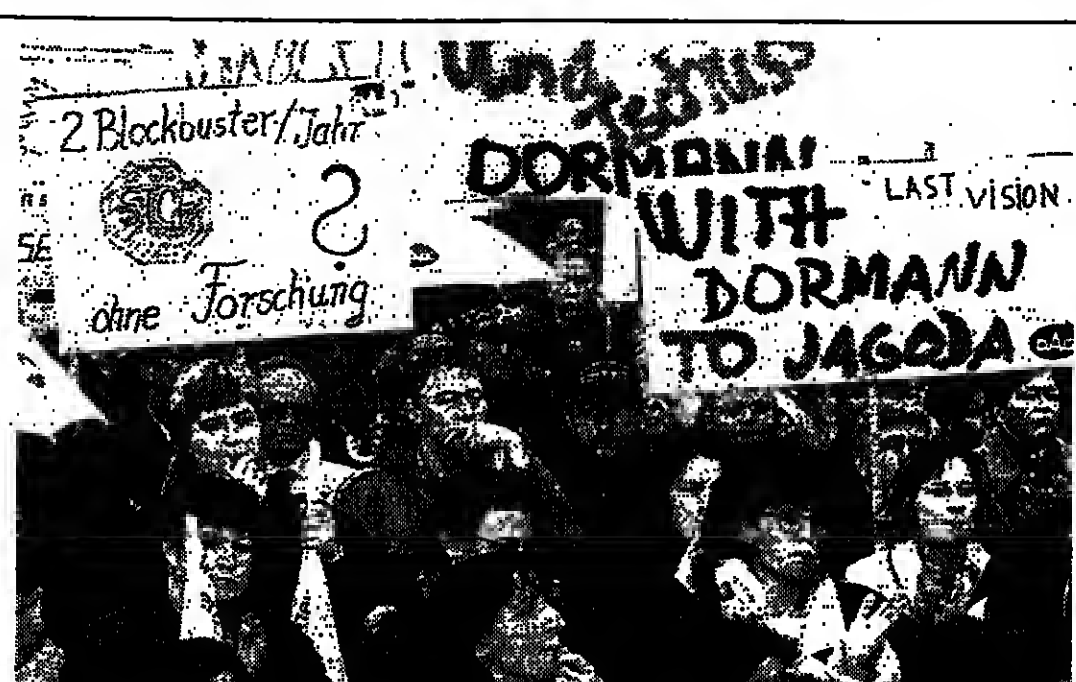
LONDON — Some fund managers are shunning European bank bonds, and even selling their existing investments, amid concern the banks will not get repaid on loans they made to Asian companies.

"We're steering clear of European bank bonds because of their exposure to the Asian crisis," said Jeremy Cunningham, who helps manage £25.6 billion (\$42 billion) in bonds at Fleming Investment Management Ltd. He said the company was selling its continental European bank bonds and buying bonds from U.S. lenders such as Federal National Mortgage Association and Federal Home Loan Mortgage Corp.

Bank of Paribas estimates that German banks have lent \$72 billion in Asia. Moody's Investors Service Inc. said Friday it might cut its debt ratings on Commerzbank AG and Westdeutsche Landesbank Girozentrale because of their exposure to the region.

It is also considering a downgrade of Standard Chartered Bank PLC, which made two-thirds of its earnings in Asia in 1997.

The rating company said Thursday it may downgrade French banks for the same reason, including the



JOB ACTION — Employees of Hoechst AG demonstrating Friday in Frankfurt over the German chemical company's plans for job cuts at Marion Roussel, its pharmaceutical division.

state-controlled bank Credit Lyonnais SA, which it estimates is owed about \$10 billion. Moody's rates the French bank A-2, Commerzbank A-2 and WestLB A-1.

Falling currencies in Asia have made it more expensive for borrowers to repay loans from foreign lenders. The weakness in many countries' currencies has caused

bankruptcies and stock market plunges and prompted the International Monetary Fund to allocate billions of dollars in aid to try to save the region from economic collapse.

Standard & Poor's Corp. downgraded 15 Indonesian banks Thursday, saying the 36 percent plunge in the country's currency against the dollar this month had eroded the

banks' assets. The risk of a rating downgrade has already driven up Commerzbank's funding costs. On Thursday, it sold \$500 million of five-year bonds yielding 44 basis points more than U.S. Treasury bonds. In September, it was able to borrow \$250 million for three years at just 15 basis points above U.S. government debt.

WORLD STOCK MARKETS

Friday, Jan. 16

Prices in local currencies.

Tel Aviv

High Low Close Prev.

Amsterdam

AEX Index: 984.82

Previous: 983.36

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TOKYO: Increased

Continued on Page 1.1

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ASIA/PACIFIC

Summers Urges Seoul to Guarantee Short-Term Debt

By Don Kirk
International Herald Tribune

SEOUL — A top U.S. official politely suggested to the president and president-elect of South Korea on Friday that Korean negotiators come to terms with creditor institutions in New York as a condition for receiving \$8 billion in emergency funds from the United States and other members of the Group of Seven leading industrial nations.

The U.S. deputy Treasury secretary, Lawrence Summers, on the last stop of a seven-nation tour of Asia, offered the condition in response to requests by President Kim Young Sam and President-elect Kim Dae Jung that the United States and other G-7 nations come up soon with the promised \$8 billion.

South Korea would receive "bilateral support" only "in the context of an extension" of short-term loans to South Korean financial institutions, Mr. Summers said after his meetings with the two leaders.

A series of crucial meetings is set

to start Wednesday in New York, at which a team of Kim Dae Jung's top economic advisers will try to reach a compromise on a proposal by a group of creditor institutions led by J.P. Morgan & Co. under which the South Korean government would issue \$25 billion in bonds to cover maturing commercial debts.

Senior aides of both the outgoing and incoming presidents have criticized the proposal as placing too heavy a burden on Seoul.

"I'm not enthusiastic about state or government bonds," said Yon Jong Keun, economic adviser to Kim Dae Jung. Mr. Yoo, a member of the team going to New York, said he was also opposed to suggestions that the government issue bonds for part of the amount and guarantees for the rest.

"We know the creditors are also demanding government guarantees," said Mr. Yoo, a former economics professor at Rutgers University who is now governor of North Cholla, Kim Dae Jung's home province. Mr. Yoo refused to say

how much South Korea was prepared to compromise, but he added: "We would like to get the longer end of the stick in the bargaining."

He and Kim Yong Hwan, leader of Kim Dae Jung's economic policy committee, were co-hosts at a lunch Friday for Mr. Summers.

The bargaining over the terms and methods by which South Korean institutions hope to win another reprieve on short-term debts estimated at approximately \$92 billion was reflected in official reports on Mr. Summers' meetings with the president and president-elect.

A government statement quoted Kim Young Sam as having asked for U.S. support for decreased interest rates on loans by U.S. banks. Mr. Kim acknowledged the inevitability of high interest rates on extensions of short-term debts in view of Korea's low credit ratings but called for readjustment of rates "when our credit ratings are restored."

That remark suggested one bargaining point the South Korean negotiators were expected to raise in

New York — that any agreement include a "call option" under which government bonds could be refinanced at reduced interest rates.

President Kim's spokesman, Shin Woo Jae, indicated that Mr. Summers might not have responded positively to the presidential plea. Mr. Summers, said Mr. Shin, had observed it was "important for Korea to raise its international credibility by continuing reform efforts."

President-elect Kim Dae Jung assured Mr. Summers, however, that Koreans "recognize the importance" of the \$60 billion bailout agreement with the IMF, which includes the \$8 billion G-7 package.

While also calling for the United States and the other members of the G-7 to extend the loans as promised, Kim Dae Jung told Mr. Summers that "everybody understands we have to faithfully honor the agreement — and that is the only way we can overcome this challenge."

Foreign analysts were skeptical as to whether South Korea could expect any improvement of the

"junk" status accorded its bonds. Representatives of both Moody's Investors Service Inc. and Standard & Poor's Corp. have said they do not expect any immediate change in the ratings.

"Companies are still going bankrupt," said Hank Morris, a veteran securities analyst. "The government has been talking it up as if the ratings agencies were committed to upgrade. They're going all-out to impress the ratings people, but they have yet to figure out how to convert a substantial portion of short-term debt into long-term debt."

Both the stock market and the currency reflected the uncertainty of the economic mood. The composite index fell 3.5 percent Friday, to 488.10, while the won weakened, with the dollar rising to 1,618.1 won from 1,605.0 won.

"I don't see the market continuing to thrust upward," said Mr. Morris, who predicted further drops in the stock and currency markets as South Korean firms battle monthly to meet their obligations abroad.

Investor's Asia				
Hong Kong Hang Seng		Singapore Straits Times		Tokyo Nikkei 225
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13000	11000	10000	8000	7000
7000	5000	4000	3000	2000
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1997		1997		1997
Exchange		Index		Prev. Close
Hong Kong		Hang Seng		6,900.04
Singapore		Straits Times		1,245.26
Sydney		All Ordinaries		2,584.50
Tokyo		Nikkei 225		15,121.98
Kuala Lumpur Composite		SET		539.97
Bangkok		SET		383.01
Seoul		Composite Index		488.10
Taipei		Stock Market Index		7,798.10
Manila		PSE		1,676.83
Jakarta		Composite Index		413.92
Wellington		NZSE-40		2,208.31
Bombay		Sensitive Index		3,382.32
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				+3.74
				+0.96
				+1.14
				+6.11
				+2.76
				+5.18
				-3.53
				+0.36
				-1.77
				+6.89
				-0.28
				+0.49

A Wall Street Wannabe

Bank of China Restructures to Take On Giants

Bloomberg News

HONG KONG — Fourteen stories above Hong Kong's financial district, Gao Xiqing is plotting how to turn Bank of China into a Wall Street investment bank.

Within weeks, the \$1 billion state-run bank plans to weave its fund-management, securities and corporate-finance businesses into a single group under his control.

For Mr. Gao, 44, and for the bank, which is Beijing's largest bank that handles foreign trade, challenging Merrill Lynch & Co. and others will not be easy, even in China's own backyard.

But its unrivaled ties with Beijing make Bank of China a force to be reckoned with in China's newest city. The collapse this week of Hong Kong-based Peregrine Investments Holdings Ltd., a top underwriter of Chinese stocks, cleared the field for the bank and others looking for a piece of that business.

Even Wall Street is taking notice.

"Bank of China is a great franchise name," said Charles Li, head of China investment banking at Merrill Lynch (Asia Pacific) Ltd. "It's going to be very successful."

Bank of China, whose overseas branches have earned pretax profit of \$1 billion for five years running, controls about a quarter of Hong Kong's retail banking industry. Along with Hongkong & Shanghai Banking Corp. and Standard Chartered Bank, banks that long symbolized British rule here, it already issues Hong Kong banknotes.

Mr. Gao sees opportunity and said Bank of China has the kind of staying power to be successful.

In some ways, the timing could not be better. The benchmark Hang Seng stock index has fallen 45 percent from its August peak, but Chinese companies still need to raise money and they just lost the biggest underwriter of their stock, Peregrine.

Mr. Gao said he hoped his bank's reorganization, which focuses largely on streamlining and integrating operations, updating antiquated computer systems and training and hiring staff, would be finished inside a year. Unlike Peregrine, he said, "10 years from now, we'll still be here."

China Development Finance Corp., the bank's wholly owned investment bank, is already catching up with the competition. Last year, it helped manage 35 initial share sales valued at \$4.97 billion in Hong Kong and China, according to IFR Securities Data. Goldman, Sachs & Co., by contrast, managed 14 sales valued at \$6.1 billion during the same period as Asia's leading underwriter.

Mr. Gao joined the bank in August after serving as head of listings for the China Securities Regulatory Commission, where he oversaw companies' plans to raise money overseas.

Mr. Gao, who was also involved in establishing stock exchanges in Shanghai and Shenzhen, will head the investment-banking business, to be named Bank of China Asia. The reorganization melds China Development Finance, Bank of China Group Securities, the brokerage arm; China Development Investment Management Ltd., and Bank of China Group Investments, which controls direct investments.

He will oversee Gary Chan, co-head of corporate finance at CDFC. Mr. Chan developed the bank's corporate finance business, which has helped underwrite some 70 percent of the share sales by Chinese state companies in Hong Kong.

A month after Mr. Gao arrived at Bank of China, China Development Finance managed its most successful share sale ever. CATIC Shenzhen Holdings Ltd., a state-owned maker of electronics, raised 418.7 million Hong Kong dollars (\$54.1 million) in a share sale that was 653 times oversubscribed, one of the highest subscription rates ever in Hong Kong.

Worse to Come In Hong Kong?

Bloomberg News

HONG KONG — The territory's financial community has just finished one of its most difficult weeks ever, beginning with the collapse of Peregrine Investments Holdings Ltd. and continuing with Sino Land Co., one of its biggest property developers, denying it was about to default on debts.

In between, more than 1,000 people lost their jobs, the retailer Theme International Holdings Ltd. and other companies said that credit lines had been suspended, and Moody's Investors Service Inc. downgraded its outlook for two of Hong Kong's biggest companies, Swire Pacific Ltd. and Wharf (Holdings) Ltd.

And with property prices tumbling, interest rates at six-year highs and the stock market hovering near six-year lows, the leaders of China's newest city are telling its 6.5 million people there may be worse to come.

There is no "effective medicine" to shield Hong Kong from the regional financial crisis, the chief executive, Tung Chee-hwa, told the Legislative Council. "I admit it is very difficult."

Malaysia's Ratings on Hold

Moody's Considers Downgrades for 4 of Its Major Banks

Bloomberg News

NEW YORK — Moody's Investors Service Inc. said Friday it had placed ratings of four Malaysian banks under review for a possible downgrade, citing increasing pressures on major financial institutions in Malaysia.

The banks — which account for about half of the total assets of Malaysia's banking system — are Malayan Banking Bhd., Public Bank Bhd., Sime Bank Bhd. and the state-owned Bank Bumiputra Bhd.

The credit-rating concern warned that a government plan to force mergers in the finance industry could backfire. The problem with the state-sponsored shake-up, Moody's said, is that the healthiest banks and finance companies may be coerced into buying struggling companies, weakening the better ones and possibly threatening the financial system.

Separately, the managing director of the International Monetary Fund, Michel Camdessus, said Malaysia would have to raise interest rates to protect its economy but did not need an emergency aid package.

"Malaysia is not facing a crisis as some other countries in the region," Mr. Camdessus said. "What is needed is to continue with the

present strategy by taking preventive steps and strengthening economic management."

But he added: "Interest rates must be raised. It is certain that monetary policy should be tightened."

Without referring to the Moody's report, he also said a shake-up of the financial services industry should be used as an opportunity "to get rid of the dead wood."

His comments helped lift stocks. The benchmark Kuala Lumpur composite index closed with a gain of 2.76 percent at 536.68 points. Banking stocks were among the gainers, despite the Moody's warning.

"I think banks and their shareholders are pretty numb to this sort of thing now," said Angie Ang, bank analyst at Caspian Research (Malaysia) Sdn. "Every time you talk to these guys, it's like, 'Moody's downgrades us? What else is new?'"

Malaysia has said it plans to combine 39 finance companies into five or six large ones in the current quarter. Its central bank also has said the country's commercial banks are "moving toward" mergers that should be completed by the end of the quarter.

(AFX, Bloomberg, Reuters)

Very briefly:

- Softbank Corp.'s shares rose 7.5 percent, to 3,870 yen (\$29.80), on their first day on the first section of the Tokyo Stock Exchange. The software distribution and publishing company formerly traded on the over-the-counter market.
- Toyota Motor Corp. is considering raising its stake in a venture formed with Asahi Solar Corp., a manufacturer of solar-heating equipment for hot-water systems. The venture, Asahi Solar Home Co., sells Toyota-made prefabricated houses under Asahi Solar's name. Toyota may raise its stake to 90 percent from 33.3 percent.
- The Japan Department Stores Association said sales at Tokyo department stores fell 6.2 percent in December from a year earlier, to 283.91 billion yen; it was the ninth consecutive monthly drop. For all of 1997, sales at Tokyo department stores dropped 3 percent, to 2.42 trillion yen.
- Mitsubishi Motors Corp. may lower its earnings forecast again because of Asia's economic troubles. In November, Mitsubishi lowered its estimate after saying it had lost \$250,000 because it had not hedged the dollars it had borrowed to expand in Thailand against the rapidly slumping baht.
- The Securities and Futures Commission of Hong Kong is to reduce its share of the tax on securities trading to 0.004 percent from 0.006 percent, effective April 1. That will bring the total charge on securities transactions to 0.011 percent. The Stock Exchange of Hong Kong takes a 0.007 percent fee.
- Hong Kong's government dropped plans to auction a prime site on the harbor at Tamar Basin near the central business district because of the territory's property slump.
- The Reserve Bank of India raised the rate at which it lends to commercial banks to 11 percent from 9 percent to try to keep the rupee from falling further after it dropped to a record low of 40.36 to the dollar.
- United Microelectronics Corp., a Taiwan semiconductor maker, said it would scale back expansion plans because Asia's financial crisis had driven down prices of its products by as much as 10 percent.

TRAIN: South Korea's New Budget Is Expected to Slow Construction of High-Speed Line

Continued from Page 9

of the final portion of the network, the high-speed trains could run on the track already in place, albeit at only about half their speed capacity of 300 kilometers an hour.

Government officials and foreign engineers with the project said that they were confident it would somehow be completed but that they expected a severe slowdown — possibly in the form of orders from the incoming government to go only part-way until the country has revived economically and fulfilled all the requirements for bailout loans set by the International Monetary Fund.

"The political power is considering whether to continue this project," said Hwang Sung Yun, deputy director of the high-speed rail policy division of the Ministry of Construction and Transport, referring to the incoming administration.

Mr. Hwang denied that the project had gone above its original cost despite changes in the route to avoid an abandoned network of mines in mountains southeast of Seoul and to bypass cultural artifacts near Kyongju, the seat of an ancient Korean kingdom north of Pusan.

"The total will be the same," Mr. Hwang said, "but during the IMF period we had better reduce the budget."

He estimated the final cost of the entire railroad, including tunnels and bridges covering nearly two-thirds of the line, at 17.5 trillion won (\$10.8 billion).

Still, Mr. Hwang said, "the whole construction will finish by November 2005" — a revised deadline set after engineers rerouted the line and then discovered flaws in the surfaces of the cement that necessitated reconstruction along several sections.

One reason for confidence in completing the railroad some day is that the project may have gone too far to stop. GEC Alsthom has already finished one complete train set, including two locomotives and

more than 20 passenger and utility cars, and is nearing completion of a second.

GEC Alsthom, in the statement issued in Paris, said that almost 40 percent of the company's share of the order had been "completed and paid for."

The statement said the commission named by Kim Dae Jung had confirmed that the project would be commissioned in 2003 "and that postponement of the delivery of the French-built TGV train sets is unlikely."

But the company noted that the Korean project would account for less than 1 percent of its sales for the current financial year and less than 2 percent for next year.

CHINA: Central Bank Looks to the Fed

Continued from Page 9

central bank," he said. "The most important thing is to reform the management system of the central bank. We will improve the independence, authority and professionalism of the central bank."

One of the modern mysteries of the Chinese financial system is how many loans to unprofitable enterprises will ever be repaid.

Mr. Dai said 20 percent to 25 percent of all loans in China were overdue, but he argued that only 5 percent to 6 percent were actually unrecoverable bad loans, a figure that is optimistic compared with estimates by independent economists.

Mr. Dai seemed to acknowledge that China's statistics were incomplete.

"You can argue about whether this 5 to 6 percent is accurate or not," he said. "But I don't want to hear anyone repeating those rumors that it is 25 to 30 or

even 40 per cent. That would be irresponsible."

A Foreign-Exchange Opening?

Fearing the "psychological effects" of a drop in the yuan on the black market, the central bank said it was considering allowing citizens to buy foreign exchange, Agence France-Presse reported.

The statement was the first time that Chinese officials had publicly expressed concern about the rise of the U.S. dollar on the black market. The dollar has risen in unofficial dealings in China to about 8.5 or 8.6 yuan, Mr. Dai said.

That compares with around 8.3 yuan before the Asian currency crisis stirred fears of a devaluation by China.

Mr. Dai reiterated that China would not devalue its currency, which is officially set at 8.28 to the dollar. The Bank of China is offering retail customers 8.07 yuan for each U.S. dollar.

TOKYO: Improved Outlook Lifts Stocks

Continued from Page 1

many recent measures — along with the view that there was too much pessimism dragging down the market — began to be felt Friday.

On Monday, Mr. Hashimoto canceled his regular policy speech at the opening session of Parliament and focused his remarks solely on the economy. In that televised speech he said, "I am firmly committed to protecting the financial system, taking fail-proof measures against the weakening of confidence in Japan and overseas in the financial system."

Mr. Higashida said, "You can tell from his speech that Hashimoto is well aware of the risks involved in a possible financial panic. It is significant that he said we will not let that happen."

Mr. Hashimoto also promised "flexibility" in dealing with financial problems, and he again mentioned the importance of a new plan to stabilize big banks.

The Liberal Democratic Party is proposing a plan to let banks revitalize their land holdings so that the banks can raise capital.

In many cases, bank buildings were purchased long ago, and their market value has risen substantially, but the current accounting methods do not account for the change in land value.

A Liberal Democratic Party spokesman has told a Parliament committee that the land revaluations would increase unrealized profits on land holdings of Japan's top 19 banks by as much as \$46 billion.

NEWSPAPERS: Press War Heats Up

Continued from Page 9

or Telegraph, both traditional Tory papers. As for Tony Blair, aides say he reads The Times and the Financial Times.

At the Financial Times, editors say they are benefiting from the shift by the general news and entertainment and away from hard-core political and foreign reporting. The paper's U.K. circulation is up 5.2 percent in the latest six months at 176,000.

"Not all of Britain has become inward-looking and insular," said Andrew Gowers, the acting editor.

While the battle rages on, advertising executives warn that the industry may be approaching a high-water mark. Ad revenues for Britain's national newspapers rose 10 percent, to £1.65 billion last year, but growth is expected to slow sharply this year along with Britain's economy.

"We're at the top," said Caroline Simpson, director of press buying at Zenith Media, an ad placement agency. "There ain't that much more room for growth."

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NASDAQ

Friday's 4 P.M.
The 1,000 most traded National Market securities
in terms of dollar value, updated twice a year.
The Associated Press.

Stock	Div	Yld	PE	100-High	Low	Latest	Chg
IBM	3.20	4.2	15.5	125.00	124.00	124.00	-0.50
Microsoft	0.50	3.5	25.0	55.00	54.00	54.00	-0.50
Apple	0.20	3.0	20.0	35.00	34.00	34.00	-0.50
Oracle	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Sun	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Verizon	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
AT&T	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
WorldCom	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Qwest	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Sprint	0.10	2.5	18.0	25.00	24.00	24.00	-0.50

Stock	Div	Yld	PE	100-High	Low	Latest	Chg
Amazon	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
Alibaba	0.00	0.0	0.0	5.00	4.00	4.00	-0.50
Google	0.00	0.0	0.0	20.00	19.00	19.00	-0.50
Facebook	0.00	0.0	0.0	15.00	14.00	14.00	-0.50
Twitter	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
LinkedIn	0.00	0.0	0.0	8.00	7.00	7.00	-0.50
Slack	0.00	0.0	0.0	6.00	5.00	5.00	-0.50
Zoom	0.00	0.0	0.0	4.00	3.00	3.00	-0.50
Dropbox	0.00	0.0	0.0	3.00	2.00	2.00	-0.50
Box	0.00	0.0	0.0	2.00	1.00	1.00	-0.50

Stock	Div	Yld	PE	100-High	Low	Latest	Chg
Netflix	0.00	0.0	0.0	12.00	11.00	11.00	-0.50
Spotify	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
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Box	0.00	0.0	0.0	2.00	1.00	1.00	-0.50
Netflix	0.00	0.0	0.0	12.00	11.00	11.00	-0.50
Spotify	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
SoundCloud	0.00	0.0	0.0	8.00	7.00	7.00	-0.50

NYSE

Friday's 4 P.M. Close
(Continued)

Stock	Div	Yld	PE	100-High	Low	Latest	Chg
IBM	3.20	4.2	15.5	125.00	124.00	124.00	-0.50
Microsoft	0.50	3.5	25.0	55.00	54.00	54.00	-0.50
Apple	0.20	3.0	20.0	35.00	34.00	34.00	-0.50
Oracle	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Sun	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Verizon	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
AT&T	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
WorldCom	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Qwest	0.10	2.5	18.0	25.00	24.00	24.00	-0.50
Sprint	0.10	2.5	18.0	25.00	24.00	24.00	-0.50

Stock	Div	Yld	PE	100-High	Low	Latest	Chg
Amazon	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
Alibaba	0.00	0.0	0.0	5.00	4.00	4.00	-0.50
Google	0.00	0.0	0.0	20.00	19.00	19.00	-0.50
Facebook	0.00	0.0	0.0	15.00	14.00	14.00	-0.50
Twitter	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
LinkedIn	0.00	0.0	0.0	8.00	7.00	7.00	-0.50
Slack	0.00	0.0	0.0	6.00	5.00	5.00	-0.50
Zoom	0.00	0.0	0.0	4.00	3.00	3.00	-0.50
Dropbox	0.00	0.0	0.0	3.00	2.00	2.00	-0.50
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Slack	0.00	0.0	0.0	6.00	5.00	5.00	-0.50
Zoom	0.00	0.0	0.0	4.00	3.00	3.00	-0.50
Dropbox	0.00	0.0	0.0	3.00	2.00	2.00	-0.50
Box	0.00	0.0	0.0	2.00	1.00	1.00	-0.50
Netflix	0.00	0.0	0.0	12.00	11.00	11.00	-0.50
Spotify	0.00	0.0	0.0	10.00	9.00	9.00	-0.50
SoundCloud	0.00	0.0	0.0	8.00	7.00	7.00	-0.50

Leading Equity M...

Stock Story

Leading Bond M...

In the Year of A

1/17/98

MONEY

SATURDAY-SUNDAY
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MONDAY
SPORTS

Leading Equity Mutual Funds in the 4th Quarter

U.S.		U.K.		France		Germany		Switzerland	
Prinor Utilities	16.24	Franklin Cust. Util. I	14.92	US Financial Equity	13.23	Aberdeen Fund of Invest. Dm	12.30	Sogenance Tempo	9.03
SWP Energy, Telecomm. Inv.	13.81	Capo Health Utility Income	14.78	Exotic High Income	12.01	Chilpe Convertibles	8.67	DWS Italien	8.76
Amer. Cent. AC Util. Inv.	16.02	Colonial Utilities, B	14.41	Sailor's Italian Eq	12.73	Olina Cible	8.28	DIT Italien	5.91
Calvert Bond Index	16.83	SWP Real Estate	13.81	Forrestal Cash Growth	10.84	Sogefina	7.66	DIT Groesstmann	4.57
Calvert II Utility Index	15.87	IDB Utilities Income, A	13.75	Vontobel US Val Eq B	6.98	Salzac Switzerland Index	7.61	DWS Schweiz	4.43
Calvert III Utility Index	15.82	Diam. Water Util. B	13.42	Barclays UK Smaller Cos	9.75	Eurostar	7.55	Zurich Inv. Akt. Schweiz	4.35
Calvert IV Utility Index	15.77	Hillard Lyons Growth	13.43	CF Quantock Inc	10.24	Olina Convertibles (C)	7.10	DIT Schweiz	4.31
Calvert V Utility Index	15.69	Diam. Water Util. A	13.42	HBBK UK Smaller Companies	10.05	Gestion Grande Bretagne	6.52	Adverba	3.73
Calvert VI Utility Index	15.69	Americas Utility Fund	13.30	Handren HF-UK Sm Cos	8.45	DIT-Vernogbi Ld Euro	6.40	BSS Swisshund	3.71
Calvert VII Utility Index	15.69	Capo Health Utility A	13.30	Schroder Sm Cap (UK)	8.16	VB Europafonds	6.11	DWS (K)-Helvet Alie	6.12

Stock Story: When Markets Go for Broke, Investors Go for Bonds

By Conrad de Aenlle

THE GUIDING principle in the markets in the fourth quarter was "safety first," a term that literally summarizes the performance of mutual-fund managers. Bond funds beat stock funds by a wide margin in every major fund market, as investors fled volatile and declining stock markets battered by economic collapse in Asia and the prospect of worldwide deflation.

In all six domiciles for which Lipper Analytical Services Inc. compiles data for The Money Report's quarterly review — Britain, France, Germany, Switzerland, the United States and an amalgamation of several offshore jurisdictions — the average stock fund fell during the period and performed worse than the average bond fund.

Looking at all of 1997, stock funds gave a better account of themselves. The average U.S. stock fund gained 17.6 percent for the year, compared with 8.6 percent for the average bond fund, a weak number considering that yields on U.S. Treasury bonds fell about one percentage point during the year. Offshore, the average stock fund lost 0.2 percent for the year, while the average bond fund lost 1.7 percent. (For the sake of international comparisons, returns for all domiciles are expressed in dollars.)

The poor results offshore reflect the predominance of emerging markets, suddenly out of favor in the quarter, as investment objectives and the stubborn refusal of offshore managers or their shareholders to invest in the United States. That was a double whammy last year, when the dollar's strength augmented returns on American assets for foreign investors.

A flight to safety as the year waned was evident in the shunning of stock funds in favor of bonds, and also in the preference for funds in each asset class that stress security. Lipper's figures show.

Leading U.S. bond funds were exclusively domestically invested, with most targeting Treasury bonds or other government issues. Emerging-market bonds proved a big disappointment. After dominating the lists of leading U.S. and offshore funds during preceding quarters, they were absent in the three months through December. One reason offshore bond funds did worse than others is that they are more inclined to invest in emerging markets.

For the first quarter in five years, the best category of U.S. equity funds comprised funds specializing in utilities, plain-vanilla investments shunned for most of the bull market of the last three years. Utility funds produced a total return — dividend payments plus capital appreciation — of 10.9 percent in the quarter and included eight of the top 20 U.S. stock funds and 15 of the top 20

domestically invested funds.

"Every once in a while we get our place in the sun — they let us crawl out from under our rock," said Catherine Green, who manages the Principal Utilities Fund, which gained 19.2 percent in the quarter.

In addition to low interest rates, utilities benefited from the caution that suddenly came in vogue and an affinity among American investors for companies whose business is primarily domestic, she said. They have also enjoyed a benign regulatory environment that has allowed them to enter new businesses and grow faster.

Utilities are usually the stocks your grandmother buys, but the new emphasis on growth and conservatism at the same time has attracted different sorts of buyers.

"Certain hedge funds and momentum players are getting more and more into utilities as a defensive measure," Ms. Green said. With the ambush of the market in the first two weeks of 1998, "some of those people have been unwinding their positions," she added. She said that although this was "kind of frightening," it has not had a "huge impact" on utility share prices.

Ms. Green said her goal was to find "relative values within the market, stocks of which people have not fairly understood the fundamentals."

The fund is invested about 30 percent in telephone companies, such as MCI Communications Corp. and AT&T Corp., two of its big winners in the fourth quarter. Other successful positions include Mid-America Energy, Utilicorp, a small utility in Missouri, and Unicom, which used to be called Commonwealth Edison, the big electric company in Chicago. The biggest holdings are in the regional Bell operating companies.

UTILITY SHARE prices are "now event-driven because of legislative issues," Ms. Green said. Pondering a possible decline in the sector, she added, "I don't see anything on the horizon that scares me in that respect, so it's going to be market-driven. I have concerns about worldwide markets, as everyone else does. I guess I'm more of a pessimist. On a relative basis, utilities may be more attractive because of their domestic focus and defensive nature."

After utility funds, the best performers were funds targeting financial-service companies, which rose 7.1 percent. Financial companies benefited from a combination of declining interest rates and a strong economy that fueled an increase in consumer credit. In addition to those factors, shareholders cheered the unrelenting consolidation in the industry.

The average broadly invested domestic equity fund lost 1.6 percent in the

quarter but was up 24.4 percent for the full year. The leading group comprised passive funds that target the benchmark Standard & Poor's 500 index of blue-chip stocks. They rose 2.7 percent in the quarter and were best among general stock funds for the year, with a total return of 32.6 percent.

Next-best for the year among general-equity U.S. mutuals were micro-cap funds, which invest in companies with a market capitalization of less than \$300 million. Micro-cap funds rose 29.7 percent for the year despite a fall of 6.6 percent in the last quarter, the worst showing of a general-equity category.

The quarter did not slow down Munder Micro-Cap. It was second-best for the year, with a gain of 71.5 percent, surpassed only by the American Heritage Fund, up 75 percent.

American Heritage is one of the most volatile equity funds in the market, thanks to its manager, Heiko Thieme, an active trader. Despite the most recent quarter and others that saw him at or near the top of the performance rankings, his fund is sixth from the bottom of the last 20 years, with a return of 59.8 percent, much less than cash or almost anything else.

Carl Wilk, who manages Munder Micro-Cap, takes a different approach. "One thing we've always done — it's the philosophy of the firm — is never make big bets on any one sector or name," he said in explaining his success last year. "So far, at least over the past 12 months, the fund's gone down less when the market's gone down and it's gone up more when the market's gone up. That's a good thing to have."

Mr. Wilk sold many of his technology stocks before they fell back after a strong start to the year. He has been buying back into the sector now that they are relatively cheap; technology accounts for 19 percent of the fund.

"A lot of the valuations were too expensive for our tastes in the third quarter, so we sold a lot of our high-P/E names," he said. Until then, some of the holdings with high price-to-earnings ratios, such as Ameritalk and Inter-Tel Inc., "were up 100 percent in the quarter. It was just ridiculous."

Among other industries he likes now are health, oil services and information-technology services. He expects micro-caps generally to perform well this year, saying that in the present "very low-interest-rate environment, a lot of small companies are accelerating growth because they finally have capital to grow their businesses."

"Some of these are Mom-and-Pop businesses," Mr. Wilk said. "They're used to operating in a very tough environment. Now there's an opportunity to grow. If the domestic economy continues to grow at a 2 percent to 3 percent clip with low inflation and interest rates,

they'll continue to do fine."

"Fine" does not describe the performance of stock funds investing outside the United States. Every classification of international fund in Lipper's U.S. universe lost ground in the quarter. Gold funds were the worst, sucked down by the plunge in bullion prices. The average one lost 30.2 percent.

Asian funds continued going from weakness to weakness: The four Lipper Asian categories showed losses ranging from 15.4 percent for Japanese-invested funds to 29.9 percent for funds targeting China. The Asia crisis spread to funds specializing in emerging markets, where the average one fell 16.9 percent, and Latin America, where the average fund lost 12.1 percent but still ended the year with a gain of 25.3 percent.

The feeble performance in Asia began in the third quarter and accelerated sharply in the fourth. Only one fund targeting Asia out of 901 in Lipper's American and offshore universes escaped without a fourth-quarter loss — an offshore fund investing in Singapore and Malaysia that was introduced in the summer by Banque Bruxelles Lambert.

The prevalence of Asia funds in the offshore territories — Luxembourg, the Channel Islands and Dublin, among other places — was largely responsible for the 12.9 percent decline in the average offshore equity fund in the fourth quarter.

Several American- and offshore-domiciled Japan funds in Chase Manhattan Bank's Vista range did better than most Asia funds, but Mark Richardson, chief investment officer of Chase Global Asset Management, said that he and his colleagues remained "extremely wary of the market."

"The equity market has become extremely volatile and polarized," he said. "Weakness resulting from business failures has been followed by optimism that the authorities would take action to shore up the financial system. At the same time that some of the multinationals are close to their recent highs, the over-the-counter index of second-line, mainly domestic companies is 30 percent below the level it reached at the time of the 1992 and 1995 lows."

The rest of Asia has been hit far harder than Japan. The declines have made stocks there cheap enough to warrant buying, said Mark Mobius, who heads the emerging-markets division at Templeton Investment Management.

"We've seen a real bloodbath in many of these markets," he said. "From a macroeconomic viewpoint, the picture is very dark. From a stock-market viewpoint, we will start to see a recovery."

For much of this year, he predicted, "most markets will move sideways."

"Then, near the end of the year, we will start to see strength," he added. "In some of these countries we could see

quite a quick turnaround."

While "all these Southeast Asian nations are interesting," he said, his favorite market in the region is Thailand.

AS FOR OTHER emerging stock markets dragged down by events in Asia, Susanne Carrington, a Latin America fund manager at Robert Fleming, has high hopes for Mexico and Brazil.

"Those are the ones we would admit to being positive on," she said. "Brazil has been very positively influenced by the privatization program and reforms that have been taking place."

In Mexico, "we have become more positive more recently," she added. "We're finally seeing the turnaround we've waited for quite a long time."

While investors in Asia impatiently wonder when they will be able to say the same thing, there can be few complaints from investors in offshore funds targeting smaller British companies, several of which were among the quarter's leaders. Another profitable investment objective was Switzerland, reflecting the strength in its stock market.

Consistent with results offshore, the best British- and Swiss-domiciled equity funds were those that invested at home. The average British stock fund overall lost 4.8 percent, while the average domestically invested fund rose 2.4 percent. Nineteen of the top 20 equity funds overall had domestic investment objectives. As with offshore funds, many of which are managed in London despite their often exotic domiciles, small-cap stocks featured prominently among the leaders.

Among the top 20 Swiss-domiciled equity funds, 13 were domestically invested. The market's strength in the quarter was reflected in the fact that the average domestic stock fund gained 2.7 percent, while the average stock fund, regardless of the market targeted, was off 8.8 percent.

German equity funds, by contrast, had to look abroad to make money. Although their situation was not nearly as dire as that in Asia, only two German-domiciled domestic-equity funds showed a gain for the quarter. Among funds not restricted to the home market, the average one of which lost 4.4 percent, many of the leaders targeted the British, Italian and Swiss stock markets. Dresdner Bank's fund managers showed the keenest prowess during the period, with six of the 20 best funds.

French funds were mediocre, wherever they invested. The average equity fund was down 2 percent; the average domestic equity fund fell 1 percent.

Some of the best-performing bond funds of several domiciles targeted Britain, where long-term interest rates fell sharply on speculation that economic

growth, which has exceeded growth in other major European countries, would slow this year.

As with many other financial assets, emerging market debt was a casualty of the Asian crisis. There are few Asian bonds, but the fear that the economic malaise could spread, slashing economic growth and currency values, took a toll on bonds issued in Latin American and other markets.

Latin American Brady bonds, sovereign debt partially backed by U.S. Treasury bonds, lost more than 10 percent of their value in October alone, although they ended the year with a respectable gain of about 15 percent. Instruments denominated in local currencies did far worse, falling 12.6 percent for the year.

Joyce Chang, who follows emerging debt markets for Merrill Lynch & Co., summed up the year by saying it "definitely wasn't great, but it wasn't that bad considering the volatility."

"It was a fairly solid performance given the fundamentals," she added. She said she expected similar growth in the sector this year, with total returns of 12 to 15 percent.

Helene Williamson, director of fixed income at Foreign & Colonial Emerging Markets, said that with yields about five percentage points higher than U.S. Treasury bond yields, emerging-market bonds were "attractive on a six- to 12-month view." She acknowledged, though, that "clearly the Asian turmoil is not over, and that still kind of overhangs the market."

IT WILL continue to overhang many markets, especially with the renewed collapse of Asian currencies and stock markets in the opening days of 1998. Byron Wien and Peter Canelo, strategists at Morgan Stanley, Dean Witter, Discover & Co., argue in their outlook for 1998 that large American stocks will continue to benefit from their status as bawans.

"The recent tilt toward large-cap stocks in 'safe' sectors is likely to persist into the new year, at least until fourth-quarter-earnings reports clarify how much damage exporters and other trade-sensitive sectors will suffer," they said. "At that point, we anticipate that performance will once again broaden as investors regain confidence in economically sensitive sectors."

When that happens, they added, "we expect investors' enthusiasm for U.S. bonds to wane as anxiety regarding foreign markets begins to diminish."

"Eventually, as it becomes clearer that the U.S. economy is still doing well," the strategists said, "the market will once again become concerned that the Federal Reserve Board might raise rates later in 1998."

At last, a familiar fear that investors can understand and feel comfortable with.

Leading Bond Mutual Funds in the 4th Quarter

U.S.		U.K.		France		Germany		Switzerland	
Amer. Cent. Bond T2025, Inv.	14.66	T Rowe Price Treas. Long	8.45	Nigeria Emerging Mkt	9.69	CU PFT Preference Inc	4.46	Indosuez Horizon 30 FCP	3.41
Amer. Cent. Bond T2025, Inv.	13.81	Amer. Cent. Bond Lg Tr, Inv.	8.29	Cal UK Fixed Int	6.38	Profile Prof & Fixed Interest	4.07	Magdeburger Wert-DIT	2.72
Amer. Cent. Bond T2015, Inv.	10.93	Fidelity US Govt Bond	6.09	Fidelity Long-Term Tr	6.13	LD France Inv Long Terme	2.56	DWS Fds Europe Bond	1.99
Calvert US Govt Bond Fund	7.88	Fidelity US Govt Bond	6.09	CIBC Priv Cl-STD Bd	5.42	Sanspierre	1.99	DWS Europ Renten D	1.09
Windsor Wellington Treas	7.25	Vanguard Fd: LG-TM Treas	6.08	ManGeo Summ-2001	5.38	Unicapital	1.01	Unibond L	1.00
Calvert US Govt Bond Fund	7.25	Pimco: Long-TM Govt, B	5.84	ManGeo Summ-2001	5.38	Unibond L	1.00	DWS DM Spezial	0.97
Calvert US Govt Bond Fund	7.25	ManGeo Summ-2001	5.38	ManGeo Summ-2001	5.38	Unibond L	1.00	DWS Deut Rent Lang O	0.92
Calvert US Govt Bond Fund	7.25	ManGeo Summ-2001	5.38	ManGeo Summ-2001	5.38	Unibond L	1.00	MB-International-DWS	0.80

In the Year of Asia's Great Fall, Other Emerging Markets Rise to the Top

By Iain Jenkins

ANYONE reading the headlines in the financial press could easily believe that 1997 was a disastrous year for investors in emerging markets. With all attention focused on the Asian meltdown, it was easy to overlook the fact that eight of the 10 top-performing markets were emerging markets. Switzerland and Italy were the only developed markets to make the top 10.

Investors with funds in Brazil, Russia, Turkey or much of Latin America had a highly profitable year. The best-performing fund in the world was Bill Browder's Hermitage Russia fund, listed in Dublin, which was up 228 percent, according to Lipper Analytical Services Inc.

Despite the turmoil in the last quarter, most Latin American funds did well, managing almost to match Wall Street.

For anyone owning an Asia fund, however, the year was indeed a disaster. Citicorp's Emerging Asia fund, which was among the worst performers, was

down a frightening 67 percent.

Only a lucky few Asian investors escaped the turmoil. Among those were owners of the Sloane Robinson Asia hedge fund, which was up 56 percent thanks to its use of "short" positions.

Now the question for emerging-market investors is whether the turmoil of the last quarter and early weeks of 1998 will continue or whether markets are near the bottom.

Although there is some divergence of opinion, analysts agree on one element: the risk of currency contagion. That is, if there is a default in Indonesia or a devaluation of the Chinese yuan, it is likely that the Russian ruble and the Brazilian rial will come under pressure, sparking falls in emerging markets.

Michael Howell, a research firm that specializes in measuring liquidity flows, said that the crisis was not over yet. He expects the yuan to come under pressure and predicts that the Asian crisis will cut world growth 1 percent to 1.5 percent.

But Anand Banerji, head of emerging markets at Foreign & Colonial Emerging Markets Ltd. in London, is less

pessimistic. Foreign & Colonial's general emerging-market fund was up an impressive 23 percent last year.

"To some extent, there already has been a disengagement of Latin America and Eastern Europe from Asia," he said. "However, there is still nervousness, and if there is another big shock from Asia, all hell could let loose."

Without suggesting that he can call the bottom of the Asian crisis, Mr. Banerji said that value was starting to appear in Asia and that he was starting to "nibble away" at some attractive opportunities.

"If investors have a two- to three-year view, they will probably make money if they invest now," he said.

Few, if any, fund managers or economists were willing to say that the bottom had been reached in Asia, of course, because they have been wrong too many times before. Early in 1997, many had said that Asia was poised for a rebound and along came the meltdown in Thailand. That was then deemed by some to be the end of the crisis, until the South Korean debacle in October. Then came Indonesian and Hong Kong.

"Investors are reluctant to commit

themselves," said Sara Zervos, emerging-markets analyst at BZW in London. "The currencies show no signs of stabilizing. Until they do, mutual fund managers say they would rather miss the bounce than risk taking some more hard hits. However, for anyone investing on a three- to five-year view, you can't help thinking that there is some great value out in Asia."

The one big worry about Asia is that once the situation has stabilized, the markets will not bounce back in the way that Mexico did after the peso crisis in December 1994. The fear is that, in a scenario similar to what happened in Japan, Asia will enter a prolonged period of stagnation as its political leaders fail to deal with underlying structural problems.

Albert Edwards, a strategist at Dresdner Kleinwort Benson in London, was one of the few people who accurately foresaw the Asian debacle. Mr. Edwards, whose research predicting the crisis was widely published, said that now the real impediment to a swift Asian rebound was the fact that financial stocks make up such a large per-

Leading Emerging-Market Funds in 1997

Total % return in U.S. dollars Jan. 1-Dec. 31, 1997.

Diversified Emerging-Market		Russia	
Key ECM Emg Value	38.35	Hermitage Fund	228.17
F&C GI Emg Mkt Inv.	17.88	Signet New Cap MktsC	207.68
Key ECM Emg Value	18.31	Firebird LP	141.18
AIG Eur/MEast/Africa	11.08	Firebird New Russia	137.54
Emerg Mkt Brwery	10.55	Clairden Int-Russ Eq	110.97
WidInv Emg Mkt	8.56	Signet New Cap MktsA	73.54
Baring Chrysalis	7.76	Baring GUF-Eastn Eur	51.71
Baring EMUFG-GI EmgMk	7.52	Mercury Sel-East Eur	40.99
Emerging Mkts Trst	7.60	Fleming FF-East Euro	32.39
Capital Int Emg Mkt	5.25	Invesco Taipei	31.40
Mercury Sel-Emg Mkt	4.45	Brazil	
Handren HF-GI EmgMkt	3.82	Opp-Braz Value	116.10
NA-RUS-Develop Mkts	3.94	Vertice Cap Estrang	57.88
Baring GUF-Emg World	3.49	SRL Pegeus-Brazil Eq	48.31
Handren HF-GI EmgMkt	3.18	Prosperity Stk-Eqys	40.21
ManGeo Summ-2001	5.38	ManGeo Summ-2001-B	37.84

January 16, 1998

Quotations supplied by fund groups to **Microcapal Paris**, t: 33-1 40 28 09 09, e-mail: info@microcapal.fr

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THE MONEY REPORT

How the 'Dogs of the Dow' Fared in 1997

The Dogs of the Dow theory applied to blue-chip stock indexes in major world markets. The central theory is that investors would do well to buy the 10 highest-yielding stocks in the Dow Jones industrial average once a year and hold them for 12 months. We applied this theory to the 10 highest-yielding stocks in other indexes as of Dec. 30, 1996 and measured their 1997 total return, which is the amount of money investors made or lost, including dividends.



Index/Stock
Britain
FTSE 100

End-1996
yield

1997 total
return

Hanson	2.2%	22.2%
BG	2.2%	22.2%
British Steel	2.2%	22.2%
National Grid	2.2%	22.2%
Imperial Tobacco	2.2%	22.2%
Allied Domecq	2.2%	22.2%
P&O	2.2%	22.2%
BAT Industries	2.2%	22.2%
United Utilities	2.2%	22.2%
Severn Trent	2.2%	22.2%

Dogs of 1998: A New Litter

Index/Stock
Britain
FTSE 100

End-1996
yield

1997 total
return

British Telecom	2.2%	22.2%
British Steel	2.2%	22.2%
Boots	2.2%	22.2%
Rank Group	2.2%	22.2%
BG	2.2%	22.2%
United Utilities	2.2%	22.2%
BTR	2.2%	22.2%
BAT	2.2%	22.2%
Nat'l Power	2.2%	22.2%
P&O	2.2%	22.2%



Index/Stock
France
CAC-40

End-1996
yield

1997 total
return

Eridania Beghin Say	2.2%	22.2%
Valeo	2.2%	22.2%
Paribas A	2.2%	22.2%
Accor	2.2%	22.2%
Dexa France	2.2%	22.2%
Bouygues	2.2%	22.2%
LaFarge	2.2%	22.2%
Permot-Ricard	2.2%	22.2%
Suez Lyonnaise Des Eaux	2.2%	22.2%
Elf Aquitaine	2.2%	22.2%



Index/Stock
Germany
DAX

End-1996
yield

1997 total
return

Thyssen	2.2%	22.2%
Commerzbank	2.2%	22.2%
Preussag	2.2%	22.2%
Bayer-Hypok	2.2%	22.2%
Dresdner Bank	2.2%	22.2%
MAN	2.2%	22.2%
Deutsche Bank	2.2%	22.2%
Karstadt	2.2%	22.2%
Bayer	2.2%	22.2%
Bayerische V&K	2.2%	22.2%

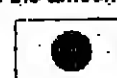


Index/Stock
Hong Kong
Hang Seng

End-1996
yield

1997 total
return

Shun Tak Holdings	2.2%	22.2%
Hong Kong Telecom	2.2%	22.2%
South China Morning Post	2.2%	22.2%
Hong Kong Electric	2.2%	22.2%
Henderson Investm	2.2%	22.2%
China Light & Power	2.2%	22.2%
Hang Lung	2.2%	22.2%
Cathay Pacific	2.2%	22.2%
Amoy Properties	2.2%	22.2%
Hang Seng Bank	2.2%	22.2%

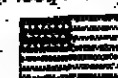


Index/Stock
Japan
Nikkei-225

End-1996
yield

1997 total
return

Tonen	2.2%	22.2%
Chubu Elec. Power	2.2%	22.2%
Kansai Elec. Power	2.2%	22.2%
Tokyo Elec. Power	2.2%	22.2%
Fujita	2.2%	22.2%
Fuji Electric	2.2%	22.2%
Japan Energy	2.2%	22.2%
Tokyo Gas	2.2%	22.2%
Osaka Gas	2.2%	22.2%
Tomen	2.2%	22.2%



Index/Stock
United States
Dow Jones Industrials

End-1996
yield

1997 total
return

Philip Morris	2.2%	22.2%
J.P. Morgan	2.2%	22.2%
Exxon	2.2%	22.2%
AT&T	2.2%	22.2%
GM	2.2%	22.2%
International Paper	2.2%	22.2%
DuPont	2.2%	22.2%
3M	2.2%	22.2%

Adding a New Twist May Make the Old Dow Dogs Fatter — and Tamer

By Andrew Blum

MICHAEL O'HIGGINS is teaching a new dog old tricks. Mr. O'Higgins, who claims to have originated the so-called Dogs of the Dow theory of stock picking, says the strategy is suffering from overvalued equity prices, and he has a new twist that includes bonds as a way to reduce risk and improve returns.

Although there are variations, the original Dogs of the Dow theory involves buying equal dollar amounts of the 10 stocks in the Dow Jones industrial average that have the highest yields at any given time and holding them for a year.

In 12 months, if the theory works, you will have outperformed the blue-chip average and, ideally, the entire market. You can start the strategy any time, but the results are often measured on a calendar-year basis.

The theory is simple and easy to execute, but it has complex underpinnings. The idea is that the stocks with the highest yields in the average are those

least desired by investors, who require higher dividend payments to hold these shares than the other 20. Still, stocks are selected for the Dow industrials in part because they are high in high, established companies that are likely to have the resources to work out whatever problems they encounter.

From 1991, when "Beating the Dow," Mr. O'Higgins's book, popularized the theory, through 1996, the strategy offered investors higher returns than buying all of the shares in the Dow industrials or all of the Standard & Poor's 500-stock index.

Last year, however, it broke down, although all of the Dow dogs produced positive returns and the overall result was a more than respectable 22 percent gain.

Still, investors could have earned 24.93 percent in the entire Dow and 33.36 percent in the S&P 500, assuming that dividends were reinvested, and not counting the effects of taxes and commissions.

Mr. O'Higgins's theory has been extended to overseas markets but with varying results. Last year, it worked fairly well in Europe, but it did not really

hold up in Asia, which was beset by stock-market disasters. (See tables)

Indeed, Mr. O'Higgins, who runs O'Higgins Asset Management Inc. in Miami Beach, said deflationary pressures and rich valuations for equities had made stocks less attractive than they had been in recent years. So he is working on a new book, entitled "Beating the Dow With Bonds," which is due out early next year.

Mr. O'Higgins's new theory proposes that investors alternate investments annually among the Dogs of the Dow stocks, long-term U.S. Treasury zeros and T-bills.

Like the original dogs, the strategy has a 12-month life span, but it also requires looking at the two other asset classes. Ahead of publication, Mr. O'Higgins was reluctant to reveal the entire mechanism. He said, however, that it would take little more time to execute his new theory than the original Dogs had required.

While the world's markets were being rocked by the Asia crisis the past few months, Mr. O'Higgins began using his new theory with an offshore fund in the Bahamas. The result: He is up about 40

percent since Sept. 1, having opted for zero-coupon Treasury bonds.

In an August advisory letter, Mr. O'Higgins wrote that today's conditions differed from those in 1991. The Dow industrials, "and stocks in general are at the most overvalued level in history," he wrote.

"One indication of this is the current 1.6 percent DJIA dividend yield, which compares with over 4.2 percent back in October of 1990," he wrote, referring to the Dow's dividend yield.

Mr. O'Higgins said that by contrast, bonds were undervalued relative to historical levels. If both returned to their average valuation levels of the past 70 years, he said, the Dow industrials would fall more than 50 percent and Treasury zeros would rise more than 40 percent.

He noted that in the 29-year period from 1968 through 1997, his original dogs theory would have resulted in a return of 18.2 percent a year before commissions and taxes. That compares with 7.6 percent for the Dow and 8.01 percent for the S&P.

In the same time span, his new ap-

proach would have yielded return of 25.1 percent per year.

But Mr. O'Higgins said an investor would have needed to be in stocks only eight of those years, with the other years split about evenly between long-term U.S. Treasury zeros and T-bills.

WHILE MR. O'HIGGINS'S original theory has traveled overseas with mixed success, he said he had not yet tested the viability of his new approach outside the United States.

But, he noted, "one of the keys to this working is availability of long-term zero-coupon bonds." With those lacking around the world, the new three-pronged approach appears to be more of a U.S. market strategy.

His new fund currently has a couple of million dollars in it. While Mr. O'Higgins's company deals only with clients willing to invest \$1 million or more, he said an average investor could start using the new strategy with \$10,000.

For further information:

• MICHAEL O'HIGGINS can be reached at Beating The Dow at P.O. Box 547294, Surfside, Florida, 33154-7294.

• THE MONEY REPORT examined international strategies

based on the Dogs of the Dow theory on Sept. 27, 1997; that article is accessible on the Internet at www.ihl.com/117/MONEY

• THE MOTLEY FOOL Web site, www.fool.com, has information on Dogs of the Dow strategies for Britain and the United States.

Investment vehicles based on the Dogs of the Dow theory:

• DEFINED ASSET FUND SELECT TEN PORTFOLIO is sold through brokers at Prudential, Sun Life, Sun Life, Prudential and Morgan Stanley Dean Witter.

• HENNESSY BALANCED FUND call 1 415 399 1555, or toll-free in the United States, 1 800 766 4354; or visit the Web site at www.hennessy.com.

• O'SHAUGHNESSY DOGS OF THE MARKET FUND call 1 800 714 0148, or toll-free in the United States, 1 800 797 0771. Web site: www.oshaughnessy.com. The fund includes Dow 10, plus 20 similar stocks.

• NIKE SECURITIES has a fund, called Target Ten, that is similar to the Defined Asset Fund. The fund invests in U.S. stocks, bonds and money market funds. For more information, call Nike at 1 800 241 4141, or toll-free in the United States, 1 800 521 1676; or visit Nike's Web site at www.nike.com.

• VAN KAMPEN AMERICAN CAPITAL offers unit trusts built upon the dogs strategy for the British, Hong Kong and U.S. stock markets individually and jointly for the three markets. Funds are sold only through investment advisers to investors in the United States and its territories. Call toll-free in the United States, 1 800 225 2232, or visit the Web site at www.vak.com.

10 Picks to Ponder for the Coming Year

OVER THE PAST three years, the average stock has more than doubled. Can this record-breaking string continue? We can only try.

In 1995, I started compiling an annual list of 10 stocks to ponder for the year ahead, cutting selections from the choices of folks whose opinions I valued. Over the past three years, the lists have returned roughly what the broad market has — an annual average of 29.4 percent, compared with 30.2 percent for the Standard & Poor's 500-stock index. That's not bad when you consider that the typical mutual fund trailed the S&P by seven percentage points.

Last year's results reflected the volatility of shares in general. Four of the 10 stocks gained 50 percent or more, but three fell in price — in one case (ComputerVision Corp.) by a sickening 41.7 percent. The biggest winner, up 81.0 percent, was Sea Containers Ltd., which operates ferries, ports, hotels and trains, including the Orient Express.

The list teaches a good lesson: You need some diversification, but not a lot. A 10-stock portfolio can usually come close to duplicating the market's record, as long as you choose companies in different businesses.

Here's my 1998 list (in alphabetical order), with the usual warnings: First, I don't believe in owning stocks for only a year; the shares should be considered long-term holdings.

Second, these stocks are the selections of other analysts. They're not mine — under The Washington Post's conflict-of-interest rules. I don't buy individual stocks — although they do reflect my bias for "value" stocks, or companies that seem to be undervalued by investors (or even devalued by investors).

Third, don't run out and buy the whole portfolio. Use this as a beginning, not an end, for your research.

Fourth, no guarantees.

• **Anchor Gaming** (symbol: SLOF; price, as of Jan. 16, \$61). A favorite of Charles Allmon, the delightful curmudgeon who edits the Growth Stock Outlook newsletter. Anchor is a Las Vegas company that operates gaming machines in space leased from stores and bars and runs some casinos. Like many gambling stocks, it has been clobbered lately — off 35 percent since October. But earnings for the past 12 months are up 70 percent, and Anchor's price-to-earnings ratio is just 14. Its balance sheet is strong, with a good deal of cash and almost no debt.

• **Archer-Daniels-Midland Co.**

(ADM, \$22). ADM is, of course, the giant agribusiness company that pleaded guilty in a famous 1996 price-fixing case. But as Gregory Weiss, editor of the newsletter Investment Quality Trends, points out, "Nowadays, investor concerns have shifted from the courthouse to the marketplace." Market conditions are difficult, he adds, but the stock's price has been dead in the water, leading him to conclude that the downside is only about 10 percent while the upside is more than 100 percent.

• **Atlantic Richfield** (ARC, \$77.75). Like most integrated petroleum companies, Arco's stock has been falling as the price of oil has dropped on the bad news in Asia and the broad decline in commodity prices. That's why the New Jersey money

manager David Dreman, author of "The New Contrarian Investment Strategy," likes it. He believes that earnings estimates for most stocks, especially technology shares, are too high. But Arco trades at a modest P/E ratio of 13 and carries a dividend yield of 3.7 percent, compared with a P/E of 24 and a yield of 1.6 percent for the average S&P stock. It's doubtful Arco will be a big winner, but it may be just right for investors who want a smoother ride.

• **Callaway Golf Co.** (ELY, \$28). This stock is one of the market's great mysteries. It makes superb products — notably those Big Bertha oversized metal woods. Year after year, it churns out profits at fabulous margins. It has no long-term debt, a return on equity of 42 percent and earnings that grow at 20 percent-plus. Yet the stock has fallen 25 percent in the past six months and trades at a P/E ratio of 12, based on 1998 earnings estimates. The worries seem to be competition, which never quite materializes, and the possibility of saturation, which hasn't happened either.

• **Compaq Computer Corp.** (CPQ, \$58). William Miller, manager of the Legg Mason Value Trust, may be the best mutual-fund manager in America. As a classic bargain hunter, he looks for undervalued stocks and holds onto them for a long time. Among his recent favorite stocks is Compaq, the computer maker, which he was buying heavily in the fourth quarter of last year. Disappointing earnings and worries about Asia have knocked the price down \$20 since September, but the company has a ton of cash, and sales

are rising at a 25 percent clip. Based on expected 1998 earnings, it trades at a reasonable P/E ratio in mid-teens.

• **Electronic Data Systems Inc.** (EDS, \$42). EDS is the huge computer consulting firm that was founded by Ross Perot, bought by General Motors, then spun off on its own. It has a great brand name, only two significant worldwide competitors and strong sales growth. But it just can't seem to make much money. So it's the kind of stock that Robert Torrey, manager of the successful Torrey fund, finds attractive. "Very big companies that have strong positions in an industry generally make good investments," he said.

• **Leucadia National Corp.** (LUK, \$34). Leucadia is a holding company, in the style of Warren Buffett's Berkshire Hathaway Inc., which owns an array of businesses, including some specialized insurance firms, a plastics

company, the Pepsi bottler in Kazakhstan and part of the world's largest pulp mill. Leucadia also has loads of cash, having recently sold Colonial Penn Property and Casualty Group for \$1 billion. What you're buying is almost a blind pool, but not a risky one. "You've got really smart guys allocating the capital," says Christopher Niemczewski of Marshfield Associates, a Washington money manager.

• **Medimmune** (MEDI, \$41). With a list heavily weighted toward value stocks, we need at least one high flier. Medimmune develops products for drugs for transplant medicine and infectious diseases. It recently signed a global marketing deal with Abbott Laboratories on apparently good terms. It's not cheap, more than tripling since May, and is making no profits.

• **Pharmacia & Upjohn Inc.** (PNU, \$35). Predictably, it has performed well in a tough market. The company is the second-largest holding of the Tweedy, Browne Global Value fund, run by a group of old-line Wall Street money managers with a remarkable record for picking undervalued stocks. The stock has rallied in the past few months but still trades 20 percent below its June 1996 high.

• **Supreme Industries Inc.** (STS, \$9). Jay Weinstein, the small-cap guru who runs Oak Forest Investment Management, is high on Supreme, which makes specialized truck bodies and vans. Only one analyst follows the stock; he figures that profits this year will be \$1.04 a share, for a P/E ratio of 9. He calls it "a well-run outfit that should reap the rewards of the investing cycle."

Continued from Page 15

centage of Asian markets. In Thailand and Taiwan, for example, banks constitute 50 percent of the benchmark stock-exchange indexes, while in Mexico, financial stocks account for only 14 percent of the index.

"In Mexico, the market bottomed with the first trade surplus in February 1995," Mr. Edwards said. "In the next six months, the market went up 60 percent."

"Asia is not going to be like Mexico," he continued. "We already have trade surpluses in Thailand and Korea, and there is little sign of the stock market recovering."

He added that although the Mexican bourse was well up this year, Mexican financial stocks had not approached their 1994 highs.

Although the mood among emerging-markets investors is relatively pessimistic, there is some optimism that Asia and the other markets will hit bottom some time this year. This could present a unique buying opportunity.

Rupert Bruce, founder of Global Fund Analysis, a research firm specializing in the global fund industry, recommended trying an emerging-markets or Asian hedge fund.

BRIEFCASE

SEC Charges 3 Officials From Parnassus Fund

Investors expect certain things of "socially responsible" mutual funds: an aversion to tobacco, liquor and gambling companies, weapons-makers and nuclear-power producers, a preference for corporations that treat their employees well, and generally above-board behavior — certainly including an adherence to the law.

So what a jolt it was last year when the U.S. Securities and Exchange Commission charged the manager of the Parnassus fund, one of the best-known of such funds, and two members of the fund's board with violations of federal securities laws, including mispricing a security.

Jerome Dodson, the fund manager, and the two directors, one of whom had already left the board when the complaint was filed, are fighting the charges, which they say have no merit.

The SEC contends that from December 1990 through March 1993, Mr. Dodson wrongly valued an investment in Margaux Inc. The shares, which were not traded on any major American stock exchanges at the time, were valued by Mr. Dodson at 37.5 cents apiece but were worth as little as one cent each, the SEC said.

Mr. Dodson says the Margaux shares were eventually sold for 28 cents each, "far more than the SEC said they were worth."

"The SEC staff is second-guessing a good-faith pricing decision made by Parnassus fund trustees," he said. The

SEC has declined to comment, except to say that Mr. Dodson's account was "not accurate."

Meanwhile, Mr. Dodson says he has a plan to help guarantee that his fund does not run afoul of securities laws in the future. His solution: raise the fee that investors pay him to manage the fund, insuring that he has more money to support "administrative and compliance services."

"I don't look at it as asking shareholders to pay the costs of our defense," Mr. Dodson told Edward Wyatt of The New York Times. "I started the Parnassus fund years ago on very limited resources, and I didn't like the idea of hiring lawyers. So I did all of the administrative work on my own."

"But mostly because of the cost of the SEC hearings and the added complexities of the business as the fund has grown larger," he added, "I've decided to put more resources into legal and administrative work."

At a shareholder meeting scheduled for March 26, investors in the Parnassus fund will be asked to approve a new management contract with Mr. Dodson's company, Parnassus Investments. The proposal also would alter how the manager was paid as the fund grew.

Last year, fund shareholders paid Mr. Dodson's firm \$2.1 million in management fees. If the fund doubled in size, to \$680 million, Mr. Dodson would earn \$4.27 million under the proposed contract, representing 4.4 percent more than under the current pay structure.

Does the manager deserve a raise? Perhaps. Last year, the fund gained 29.7 percent, putting it in the top third of the 820 growth-stock funds tracked by Lipper Analytical Services. But over longer periods, the performance pales. For the last decade, Parnassus falls smack in the middle of the pack. No. 87 of 181 growth funds in the Lipper group.

Mutual-fund shareholders rarely vote against the board's recommendation, and the Parnassus board has recommended approving the pay increase. (NYT)

'Private Purpose' Issues Lose High-Yield Premium

A type of municipal debt that once gave money-fund investors a bit of extra yield has become so accepted that its yield premium has almost disappeared.

The bonds, called "private purpose" issues, are used to finance quasi-public works, such as student dormitories. They are normally free from income tax but subject to the alternative minimum tax.

Because of the potential tax liability, private purpose paper paid slightly higher yields than regular municipal issues — generally 10 to 50 basis points, or hundredths of a percentage point, said Connie Bugbee, editor of IBC's Money Fund Report, a trade publication. But recently the spread has dropped to about 3 basis points.

So how to find top-yielding money funds today? Look for funds with low expenses, Ms. Bugbee said. (NYT)

Emerging Markets on the Upswing

Continued from Page 15

centage of Asian markets. In Thailand and Taiwan, for example, banks constitute 50 percent of the benchmark stock-exchange indexes, while in Mexico, financial stocks account for only 14 percent of the index.

"In Mexico, the market bottomed with the first trade surplus in February 1995," Mr. Edwards said. "In the next six months, the market went up 60 percent."

"Asia is not going to be like Mexico," he continued. "We already have trade surpluses in Thailand and Korea, and there is little sign of the stock market recovering."

He added that although the Mexican bourse was well up this year, Mexican financial stocks had not approached their 1994 highs.

Although the mood among emerging-markets investors is relatively pessimistic, there is some optimism that Asia and the other markets will hit bottom some time this year. This could present a unique buying opportunity.

Rupert Bruce, founder of Global Fund Analysis, a research firm specializing in the global fund industry, recommended trying an emerging-markets or Asian hedge fund.

"That way," he said, "you will get some of the upside if emerging markets recover and you won't be hit by the downside."

The problem is that many hedge funds have a minimum investment of \$500,000 to \$1 million. A lower-ticket solution, Mr. Bruce said, is to buy a multimanager fund, such as GAM's Emerging Markets Multi-Fund, which is a fund of hedge funds with an excellent track record and a required minimum investment of \$25,000.

If hedge funds seem esoteric, Mr. Bruce suggested that investors stick to funds run by stock-pickers such as Richard Carrs at the Genesis emerging-market fund, which was up a creditable 3.7 percent last year. "Stock-pickers look for value, which means that they were out of Asia when the crisis hit," Mr. Bruce said. "Stock-picking funds are relatively safe for traditional long investors."

WORLD ROUNDUP

Maier Wins Again

SKIING Hermann Maier won his fifth-straight World Cup race and his eighth this season on Friday, edging Nicolas Burtin of France to claim the downhill in Wengen, Switzerland.

Maier completed the Lanberhorn course, shortened by more than 300 meters because of fog, in 1 minute, 44.89 seconds. He was followed by Burtin in 1:45.57.

Burtin prevented another Austrian podium sweep, as Maier's teammates Andreas Schifferer and Hans Knauss finished third and fourth in 1:45.61 and 1:46.02. (AP)

Szewczenko Shows Poise

SKATING Tanja Szewczenko of Germany, with another impressive showing in her comeback from a career-threatening viral infection, won the women's short program Friday at the European Figure Skating Championships in Milan.

While her marks for the required elements ranged from 5.2 to 5.7, she received mainly 5.7s and 5.8s for presentation and finished first on six of the nine judges' cards.

Surya Bonaly of France was second, followed by the two-time defending champion, Irina Slutskaya of Russia. The medals will be decided in Saturday's long program. (AP)

Pakistan Defeats India

CRICKET Pakistan recovered from a first-match loss to beat India by six wickets in the second match of their best-of-three finals in the Independence Cup on Friday in Dhaka, Bangladesh.

The Indian skipper, Mohammed Azharuddin, won the toss and sent Pakistan in to field. The Pakistani bowlers bundled out India for 189 runs. Pakistan managed to notch up 193 runs in 31.3 overs.

The Pakistani opener, Saeed Anwar, scored 51 runs before being caught out by Saurav Ganguly off Harvinder Singh's ball. Ijaz Ahmed and Inzamam-ul-haq added 40 runs each to the total. Ijaz Ahmed and Mohammed Hussain remained not out. (AP)

Flutie Said to Be Moving

FOOTBALL Doug Flutie, 35, is expected to come to terms on a two-year contract with the Buffalo Bills, according to a published report, thus making his third try at the National Football League.

The quarterback will leave the Toronto Argonauts of the Canadian Football League for a contract that gives him a base salary of \$300,000, the minimum for an NFL veteran player, and a signing bonus of about \$50,000, sources told The Buffalo News. Incentive clauses, including statistical accomplishments and league-wide honors, could raise the total value of the contract to as much as \$5 million over two seasons. (AP)

**The Midas Touch:
No. 3 for Australian**

U.S. Team Adds 2 More to Gold-Medal Tally

PERTH, Australia — Michael Klim of Australia won his third gold medal of the world swimming championships Friday, coming within a 10th of a second of his world record to claim the 100-meter butterfly.

"I wanted to prove the world record wasn't a fluke," Klim said of the mark he set last October in Brisbane during the Australian trials. "I just wanted to touch the wall first and prove that I'm the best in the world."

The Polish-born Klim clocked 52.25 seconds while Lars Frolander of Sweden took the silver in 52.79 and fastest qualifier Geoff Huegill of Australia the bronze in 52.90.

The Americans took their gold medal haul to nine with two more wins — the women's 800-meter freestyle relay and Kurt Grote in the 200-meter breaststroke. The relay win gave Jenny Thompson her fourth gold medal of the meet. Thompson swam the butterfly leg as the United States clocked 4 minutes 1.93 seconds, just outside China's world record.

Thompson has won the 100-meter freestyle and butterfly golds and was a member of the winning 400-meter freestyle relay team. And she still has two more events to go.

Grote, a 24-year-old Stanford Medical School student, came into the meet ranked first in both the 200-meter and the 100, a race he won bronze in on the opening night of the swim program.

Despite that lofty ranking, Grote said he was surprised to find himself in the thick of a battle with Jean-Christophe Sarrin of France, who had led for much of the race, and Olympic champion Norbert Rozsa with meters to go.

"Honestly, I am a little bewildered," said Grote. "I saw people all around me and thought I was in the mix. I didn't realize I had a chance to win, but obviously I did enough to win and now I feel great."

Grote finished in 2 minutes 13.40 seconds, to 2:13.42 for Sarrin, while Rozsa was a further .17 of a second behind.

Sarrin raced to his personal best, giving him a chance to atone for a poor race at the European championships last year in Seville, Spain, where he finished seventh and was 2 seconds slower than Friday night's effort.

Chinese swimmers finished one-two in the women's 200-meter individual medley with the world-record holder, Wu Yanyan, first and Chen Yan second. The United States-based Martina Moravcova of Slovakia, celebrating her 22d birthday, was third to take the bronze. Moravcova has two silver medals from the 100- and 200-meter freestyle events.

Wu led for nearly all of the race and finished in 2 minutes 10.88 seconds, a meet record. Chen finished in 2:13.66 and Moravcova 2:14.26.

"They pretty much kept their level of performance," Moravcova said of her Chinese opposition. "For me, the key was hanging in there in the breaststroke because it's not that good and I'm still working on it."

Chen has earlier won the 400-meter medley and 400-meter freestyle gold medals. Wu's victory was China's third gold medal, after it won 12 of 16 events four years ago in Rome.

Brooke Bennett of the United States, the Olympic champion, led qualifiers in the women's 800 meters for Saturday night's final. Bennett, who won a silver medal in the 400-meter freestyle here, posted a time of 8:30.68 while a teammate, Diana Munz, was second in 8:34.87 and Kirsten Vliegheuis of the Netherlands third.

China, the defending world champion and world record holder, did not field a team in the heats of the 800-meter medley relay held earlier Friday.

Peter Warden, operations coordinator for world swimming's governing body, FINA, said the Chinese defaulted from the relay by failing to submit the names of their four swimmers within an hour of the start of the qualifying heats.

Although there was no obligation on the Chinese to explain why, Warden said the withdrawal probably occurred because two likely selections for the team were among five Chinese swimmers suspended or banned over prohibited substances.

Zhang Yi and Cai Huijue were among four suspended Wednesday for testing positive to a banned diuretic drug.

Zhang won the 200-meter breaststroke at the Chinese National Games in October and was second in the 100-meter event. Cai was second at the same games in the 100-meter butterfly.

"I'd say the main reason they're not competing is they've lost two of their best swimmers," Warden said. "You can't lose five swimmers from a team in the space of a week and expect to replace them at such short notice."

On Friday in Beijing, China announced it had set up a five-member panel to investigate the latest doping scandal. The Chinese Olympic Committee announced at a meeting that the panel would include an anti-doping expert and a lawyer.

Italy Wins Water Polo Title

Giusy Malato scored four goals Friday night as Italy beat the Netherlands, 7-6, to win the gold medal final in the women's water polo competition at the world swimming championships.

Cristina Consoli scored with 5:57 left in the final quarter to give Italy, the European champions, the victory. The Italians started off the tournament with three straight losses.

Australia, which lost to Italy in sudden-death overtime in a semifinal match Thursday, took the bronze medal with an 8-5 triumph over Russia. The teams were level, 3-3, at halftime. Greece beat Canada by 10-9 in a match to decide fifth place. In a match for seventh place, Hungary took a 3-0 lead en route to a 10-7 victory over the United States.



Giusy Malato of Italy, left, preparing to shoot over the Netherlands' goalkeeper, Karla Van Der Boon, in the women's water polo final Friday at the world swimming championships in Perth. Italy took the gold, 7-6.

Elway's Dream? A Super Redemption

In America/IAN THOMSEN

DAN JANSEN, the speed skater who didn't win a gold medal until his last chance, comes to mind, as does John Wayne. It will not stop there. Over the next week, John Elway might be compared to the captain of the Titanic, or, to be a bit more optimistic, an Allied commander on D-day. Can he lead his Denver Broncos across the proverbial beaches of Normandy?

One reason for so many terrific routs in the Super Bowl — and Elway, in his 20s, was on the losing end in three of them — is the two-week gap before the big game. By the second Tuesday, the underdogs are already having the inspiration beat out of them. So much is being made of their deficiencies in the media, in the questions they are asked in the daily press briefings, that it must seep into their own team meetings. They seem to wind up dreading the big occasion like teenagers waiting out the days before the high school prom.

The next time some expert starts telling you how a Super Bowl is the highlight of every player's career, just ask him whether he had the time of his life at his high school prom. That will shut him up quick.

To be sure, the Super Bowl was a highlight for Phil Simms, Doug Williams and Joe Montana. They were the quarterbacks who destroyed Elway's Broncos in 1987, 1988 and 1990 by a combined score of 136-40.

Those games, in turn, might yet lead to Elway's greatest victory: his night of redemption.

Nearly 20 years ago, no one would have predicted that Elway would experience such misery in the biggest game. He was tall, blond and Californian. The high-school prom was made for people like him.

It makes for an interesting American argument: Would Elway be more popular now if he had won one or all of his previous Super Bowls?

Americans love winners; they never have tired of seeing Joe Montana, Michael Jordan or Magic Johnson celebrate championships. If, on the other hand, Elway happened to be a footballer in Britain — country of the gallant runner-up — he would be a source of great admiration for having survived the humiliation, dusted himself off and entered himself in the Super Bowl again.

A LITTLE of that is at work now in America. Elway, now 37, has always been one of those natural talents who made everything look easy. If he had won a Super Bowl in his 20s, the country would have united in applause, but not nearly the kind he will hear this week when the entire nation will be rallying behind him.

Elway has been at the center of America's deepening fascination with pro football. Sixteen years ago, he spent the summer before his final year of college in Orono, New York, a minor-league baseball town. He was a rightfielder for the New York Yankees' Class A team, three levels from the major leagues.

"I envision him playing right field for the New York Yankees in just a couple of years if he wants to," Bill Bergesch, then the Yankees' vice president of baseball operations, said at the time.

But Elway chose football. He was the son of a football coach, Jack Elway, and had been recruited to Stanford University by Bill Walsh shortly before Walsh moved up to coach the San Francisco 49ers and Montana.

Elway used the threat of signing with the Yankees to force the hopeless In-

dianapolis Colts to trade him to Denver.

If you consider Bo Jackson and Deion Sanders, who have since played baseball and football professionally, both have made their greatest impact (literally) in football. It is the quicker fix.

Elway is also one of the last of the "traditional" NFL players: he has spent his entire career with one club. On top of that, he is probably the most exciting player in the league. When he retires, the NFL is going to miss him more than any other player of his generation, Montana included.

The fans are probably going to realize that, too, which is why this Super Bowl is going to become such a stirring farewell to him and everything he represents.

I went to Orono that summer, 1982, to meet Elway when he was still a young Golden Boy. He is wrinkled and limping now, in a John Wayne kind of way, which is precisely the kind of mythical importance that will be draped around him next Sunday.

In this case, the Green Bay Packers are 13-point favorites, and the AFC — Elway's conference — has lost the last 13 Super Bowls. But haven't the top NFL teams been weakened by free agency? Given the ready movement of players, is Green Bay as cohesive and impenetrable as the champions Denver has faced in previous Super Bowls? And doesn't Elway now have the complementary running game that was lacking in the past?

It is hard to imagine the inspiration being knocked out of Elway in the coming week. If America is the land of Oz, you must express faith sometimes in the power of the happy ending.

Ian Thomsen is a senior writer at Sports Illustrated magazine.

**A Sister vs. Sister Final
Won't Happen in Sydney**

Venus Williams to Face Sanchez Vicario

SYDNEY — Venus Williams kept up her half of the bargain, reaching the Sydney International final. Her sister, Serena, will have to settle for the role of her No. 1 fan.

"I guess it would have been history, but you can't dwell on things that didn't happen," Venus said of her disappointment at not going for the title Saturday across the net from Serena.

Venus, a finalist in the U.S. Open last September, advanced Friday to the final of this tune-up for the Australian Open by downing Ai Sugiyama of Japan, 6-1, 7-6 (7-2).

Serena, having limped to victory against Lindsay Davenport on Thursday, could not come back the next day to do the same against Arantxa Sanchez Vicario.

"I was 'tired; I was ailed," Williams said after a 6-2, 6-1 drubbing by Sanchez Vicario in the semifinals on Friday.

"My knee, my calf, my whole right leg hurt so bad I couldn't move," the 16-year-old said, attributing the soreness to seven matches in eight days, including qualifying, on the rubberized Rebound Ace hard courts.

"Even in practice this morning, I couldn't move," she said. "I had to cut it short. I kept telling myself during the match to keep going, but I just hurt too much. And she was playing pretty good. I had to go for winners or else. I couldn't just rally with her. But I should be all right for the Australian Open with a few days' rest."

Serena, 16, playing only her third pro tournament, had hoped to reach the final against her sister, Venus, 17.

"I'm pretty disappointed," Serena said, "but I know there will be a lot of other chances for us to do it."

Serena Williams, in a hurry to move up in tennis but not grow up, wears watches on each wrist when she plays — Goofy on one, the Cat in the Hat on the other.

Not that she needs to know the time when she's on court, but one watch is set for Sydney, the other 16 hours behind

for Florida where her father awaits long-distance reports of her adventures.

These days, Serena and Venus have plenty to tell their dad, who does some of the coaching by phone and leaves the rest to his wife, Oracene.

In Sydney, Serena knocked off three much higher-ranked players — Mirjana Lucic, Sandrine Testud and the No. 3 Davenport before falling to the 9th-seeded Sanchez Vicario. After this tournament, Serena is likely to leap 40 spots in the rankings from her current No. 96.

Venus, No. 21 coming into the tournament, has been no less sensational, beating Alexandra Dragomir, then No. 1 Martina Hingis, then Maggie Makeeva to get to the semis in the opposite half of the draw. Venus had little trouble against Sugiyama, a 6-2, 6-3 winner earlier Friday in a rain-interrupted match against Barbara Paulus.

Venus gained fame first by reaching the U.S. Open final. The future, though, may belong to Serena, who has a better serve and is more consistent. In Serena's second tournament last year, in Chicago, she beat Monica Seles and Mary Pierce before falling to Davenport.

If the Williams sisters do meet each other someday in a final, don't expect either one to take it easy out of love or respect.

"She's my sister, but I want to win," Serena said.

Venus echoed that sentiment.

"I'm trying to get my first title, too," she said. "So I'm going to try to win. I don't care who it is."

The men's final will feature the defending champion, Tim Henman, a 7-6 (7-5), 7-5 victor over the U.S. Open champion and No. 1 seed Patrick Rafter, against Karol Kucera, who beat Michael Tebbutt, 6-4, 6-7 (8-6), 6-0.

"I came here with the intention of defending my title," Henman said. "But there's no dispute the real big one is at Melbourne next week, and that's what everyone is really aiming at."

Kucera weathered two match points in the second-set tiebreaker and came



Venus Williams hitting a backhand return to Ai Sugiyama during their semifinal match on Friday at the Sydney International tournament.

back to beat Tebbutt. Serving for the match at 6-4 in the tiebreaker, Tebbutt double-faulted, then slapped a volley wide to waste two chances at going to the final. Kucera leaped on his opportunity, won the next two points and crushed Tebbutt in the third set.

Graf to Return in Tokyo

Steffi Graf, who has not played since

the French Open last year, will make her comeback at the tournament in Tokyo on Feb. 2. The Associated Press reported from Frankfurt, quoting the daily newspaper Bild.

Graf has recovered from an operation on her left knee and is ready to play. Ranked No. 1 until her knee problems, Graf has delayed her comeback several times.

**PGA May Compromise
After Suit by Disabled Pro**

By Thomas Heath
Washington Post Service

Advocates for the disabled and a legal expert said they believed that Casey Martin, a 25-year-old professional golfer with a congenital circulatory disorder that hinders his ability to walk, would win the right to drive a golf cart while competing in the PGA Tour events.

But a compromise might already be in the works. Mark O'Meara, a golfer who is part of the nine-member PGA Tour Policy Board, said Thursday that the board might consider the possibility of allowing Martin to use a motorized scooter, similar to the ones that malls make available for the disabled.

"We should try to accommodate him," O'Meara said after his round at the Bob Hope Classic in Bermuda Dunes, California. The scooter, he said, "is something we should look at."

Martin, who won the Lakeland (Florida) Classic last weekend, is suing the PGA Tour in federal court in Eugene, Oregon, under a provision of the Americans with Disabilities Act that would force the golf association to lift its longstanding prohibition against using golf carts in tournament play.

The issue has been the focus of widespread attention and sparked a national debate among sports fans and others over whether broad civil rights legislation such as the ADA, which was passed by Congress in 1990, can be used to force sports organizations to change their rules.

Lawyers familiar with the act said they believed that the law was on Martin's side, although they cautioned that nothing about the case was certain.

"I'd be very surprised if he didn't prevail," said Gary Phelan, who has handled more than 200 matters related to the act on behalf of employees and is co-chairman of the National Employment Lawyers Association's disability rights committee.

The case is expected to turn on whether the PGA Tour is a public organization or a private one.

In legal papers that it has filed, the Tour has argued that because it allows only 200 golfers to participate in its events out of 25 million golfers in the United States, such selectivity makes it a "private club or establishment not subject to the provisions of the ADA."

But Sherman Cohn, a Georgetown University law professor specializing in civil procedure, said that because the PGA Tour drew big crowds and sold lots of tickets, it was public.

"From where I sit, they sure appear quite public to me," Cohn said.

Martin, who lives in Eugene, attended Stanford University, where he was a member of the school's golf team and a roommate of Tiger Woods. Martin suffers from Klippel-Trenaunay-Weber syndrome, which prevents him from walking without great difficulty. After making a special request to the NCAA, Martin was allowed to use a cart when necessary in college.

After leaving college, Martin competed in the Hooter's tour, a regional tour that operates primarily in the Southeast, where he was not allowed to use a cart because they are banned by the PGA Tour.

The PGA Tour has required that its athletes walk the course without exception. All PGA Tour golfers and the 170 on the Nike Tour must walk the course, which typically amounts to five miles per day. The 100 golfers on the PGA's Senior tour, which is for golfers age 50 and older, are allowed to use carts.

"Walking is, and always has been, a part of the game the PGA Tour has decided to play," Tour lawyers said in legal papers.

Martin's lawyer, William Wiswall, said the bones in his client's right leg had deteriorated during the Hooter's tour to the point where the athlete's tibia could easily fracture.

"The veins in his leg are in the wrong positions and scrambled up," Wiswall said. "This is a very, very serious condition. His leg has atrophied and is 50 percent or less the size of his left leg. He can never walk again and play."

DAVE BARRY

Partying (Almost) With Mick

MIAMI—So get this: I partied with Mick Jagger.

Well, O.K., perhaps "partied with" is too strong a term. Perhaps a better term would be "was in the vicinity of." But still, Mick Jagger!

The way this happened was, back in December I got a fax from a public-relations agency inviting me to a party being given by a person named Chris Blackwell, who is very famous although I honestly still don't know why.

The fax said that the purpose of the party was to celebrate the "new incarnation" of the Martin Hotel, which is a swank night spot in an area of Miami Beach called South Beach, a chic, "avant-garde" jet-set sector where you never see a woman who is under six feet three or weighs more than 83 pounds. This is a place where Barbie would look like a middle line-backer.

The invitation said: "Among the guests expected are the Rolling Stones, as they're in town for their concert this Friday."

In college, I was in a rock band called The Federal Duck, and we performed many Stones songs.

Of course I wanted to go to this party. I have been a gigantic Rolling Stones fan since approximately the Spanish-American War.

In college, I was in a rock band called The Federal Duck, and we performed many Stones songs, and at the risk of tooting my own horn, I will say that we sounded exactly the way the Stones themselves would have sounded if they were not all playing the same chords.

On the night of the party, my wife was out of town, so I asked my 17-year-old son, Rob, if he wanted to go with me. You can imagine his excitement when I offered him a chance to meet the Rolling Stones IN PERSON.

"No thanks," he said.

Like many young people of today, my son does not appreciate classical musicians such as the Stones; he is more into bands with names like "Heave" and "Squinting Turnips." So I asked a friend, novelist Paul Levine, if he wanted to go to the party, and he courageously said yes, despite the very real risk that I would, in this column, mention his forthcoming book "9 Scorpions," which Paul describes as "a story of seduction and corruption at the Supreme Court." (I just hope that this description does not cause anybody to envision William Rehnquist naked.)

Paul and I arrived at the Martin Hotel and immediately determined that we were the oldest people who had ever set foot in there by a good 30 years.

The party featured very loud music and many "avant-garde" people loun-

ging around amid the new, reincarnated hotel decor, which included, among other sophisticated touches, window treatments that looked like gigantic shower curtains. We did not see any Rolling Stones. But there were several famous people on hand, including:

• An artist named Kenny something whose work "is in like museums all over the place."

• An actor named Antonio something who had been in a Janet Jackson video AND a Calvin Klein underwear commercial.

Paul and I got this information from a 20-year-old woman hair stylist named Nate (pronounced "Na-TAY"), who also gave us both free advice on what to do with our hair. She told Paul to use gel. She told me — and this is a direct quote — "You should rock the Caesar."

"I should rock the Caesar?" I asked.

She said, "Definitely."

And then Paul said, "You really should."

It turns out that "rock the Caesar" means getting the style of haircut worn by the Roman emperor Julius Caesar, and the TV actor George Clooney. I definitely plan to adopt this style, just as soon as William Rehnquist does.

So anyway, Paul and I were sitting in a corner, a pair of fossils with outmoded hair, when the front door opened, and guess who walked in, in all his rock-idol glory? That's right: Elvis.

No, seriously, it was Mick Jagger. When I saw him, I felt a thrill, and I will tell you why: Because suddenly, there was somebody at the party who was "even older than I am."

He's only a little older if you calculate it in normal human years; but he has been living rock-star years, which take a much greater toll. In person, he looks like Yoda wearing a Mick Jagger wig.

But he seemed like a pleasant enough person, as near as I could tell from watching a crowd of "avant-garde" people trying to get as close to him as possible while pretending not to.

I considered trying to push my way in there and strike up a conversation with Mick, maybe try to find out the correct chords to "Under My Thumb." But it seemed like a lot of work, plus it was 10:30 P.M., way past my bedtime. So Paul and I left. But I enjoyed the evening. The way I see it, I was, briefly, hanging out with an actual Rolling Stone. If you see it differently, get off my cloud.

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Another Brook in the Director's Seat

International Herald Tribune

PARIS — The Turkish persecutions of the Armenians, which reached their frenzied heights in 1915, when some 600,000 Armenians died and more than a million were deported, have faded in a horrible century more and more expert at mass murder of all sorts. But if not the subject they are the background of a play, "Une bête sur la lune" ("Beast on the Moon"), at the MC93 theater in suburban Boigny (through Feb. 8) after runs in London and Lausanne, Switzerland.

Written by an American, Richard Kalinoski, the play deals with its

MARY BLUME

frightful subject on a domestic level: the life in Milwaukee from 1921 to 1927 of an Armenian refugee, Aram, and his 15-year-old mail-order bride, Seta, and their finally successful attempts to expunge the horror and begin life anew.

For its young director, Irina Brook, the play also marks a turning point: After a mixed career as an actress it was her first try at directing, a career change that may have seemed so obvious, her father being the director Peter Brook and her mother the actress Natasha Parry, that she never had thought of it before.

"It really did come out of the blue, it was an option I had never thought of, only subconsciously," she says. "The greatest part of my life was getting to play the director. The first week it was like being high on a drug, it was such a joy being on the right side. I had been on the wrong side, suddenly I was on the right."

Born in Paris and raised here and in England, Brook says the theater had been her world since the age of zero and the obvious option was to be an actress. "It wasn't a vocation but a sense that this is what I should be doing because how else can I be in this world that I know is my world? So for really 15 years I was barking up the wrong tree and suffering accordingly."

She saw "Beast on the Moon" at the Louisville, Kentucky, theater festival in 1996 where she had gone to prospect for a play to act in and produce. She was moved by its power and humanity but, to her surprise, never thought of playing Seta as she could have. Instead, she signed on a friend, Corinne Jaber, as Seta and Simon Atkarian, who had played superbly in Ariane Mnouchkine's cycle of Greek tragedy, as Aram. Like Brook, both actors are bilingual and the play opened successfully in London in May 1996, swiftly bringing Brook offers to direct a revival of "Mrs. Klein," about the relationship between the psychoanalyst Melanie Klein and her daughter, and then Shakespeare's "All's Well That Ends Well," a play so rarely given that even the encyclopedic



Irina Brook is in Paris, directing a play on the Armenians.

John Gielgud had never seen it, and neither had Peter Brook.

All the productions were well received although Brook had some criticism for making Shakespeare multicultural, which seemed to her normal since her father has done so for years.

"Some of the actors had never done Shakespeare. There was a Pakistani actor who had been playing Mr. Patel the shop owner on television for years and was about to give up acting and take up shiatsu massage. He'd come to London at the age of 18 wanting to play King Lear and ended being stereotyped. He used to play Shakespeare in his bedroom to the wall." Brook cast him as Lafou, the wise old king's friend.

"In an English production he would have been played by an old English fellow from the RSC. For me that sort of actor would not be interesting, would not be my cup of tea. This actor had an amazing solidity and a twinkle in his eye and he spoke it beautifully as well, but not as a Shakespearean actor would do it."

In "All's Well" Brook had another

chance to see how she felt about acting when her Helena fell ill and she had to step in and play the lead in her own production. "Afterwards, I didn't have the feeling that it was such an extraordinary event — the adrenaline, and getting to play the lead in a classic and the extra applause because you had been so brave. It wasn't exciting, it wasn't eventful, it was really an anticlimax."

So perhaps there will be no more acting? No, and yet — "If Woody Allen said would you be in my next film, I'd be on the plane in five minutes."

From the age of 6, Brook says, she had decided to be a movie star and briefly in London she was labeled the new Julie Christie and was the hot new girl in town. A string of flop films followed and sent her back to fringe theater where she says she learned her craft but by then no one much cared.

Before that, at 18, she had gone off to New York with an unlikely romantic attachment, the punk star Iggy Pop. To be allowed to stay in the United States she enrolled in Stella Adler's acting classes, which she found so alarming

that she spent much of her time over vodka cocktails in the Russian Tea Room next door. She also acted in very small fringe theaters off-off-off Broadway and then came back to Paris to play Anya in her father's production of "The Cherry Orchard."

She had auditioned for him first straight out of school, been turned down twice and says it was partly pique that sent her to New York in the first place. After playing Anya and appearing in Brook's production of Moliere's "Dom Juan" in Paris, she went to London in search of the film stardom that never happened, although she came close to getting the Helena Bonham Carter role in "A Room With a View."

Brook talks jokingly now about the long period of rejection and her feeling that she belonged in the theater but didn't know where. What she describes with a laugh as her grand finale on stage was a provincial tour of England in "Lady Chatterley's Lover."

"I hadn't worked for months and got asked to play Lady Chatterley and I heaved and heaved and waited desperately for another job and nothing came and I finally said yes. It was quite a turning point for many reasons. For a start the script wasn't quite ready and I was somehow involved and got very interested in that whole side of it."

Then there were the nude scenes (luckily it was a summer tour). "The fact of having to take my clothes off on the stage was something I never imagined and couldn't do in rehearsals. Then suddenly I was in a vast gloomy Victorian theater in Hull for the technical rehearsal having to get my kit off. Suddenly, in the detachment of being on the stage on a dark auditorium, off they came. I never looked back. I think that was also how I became a director because it made me feel fearless."

"My whole acting career has been a thing of conquering fear. I started off as a terrified mouse always making myself do things I was scared of so I wouldn't be scared any more and this was the final ultimate challenge, to run around England with no clothes on. I came out the other end feeling I could do anything because it wasn't such a big deal and it was very freeing. It was after that that I started directing. That was the clincher, really."

As a director, Brook feels more in touch than most with the actor's terrors. And for the first time she feels comfortable in the theater world to which she always knew she belonged.

"It was like the bluebird of happiness when it suddenly dawned on me, Ah, I am a director. It was like a miracle, it really was. I suddenly found where it was I had always wanted to be and I suddenly thought it felt so right. It was an extraordinary sense of coming home."

PEOPLE

THE designer Giorgio Armani is offering a chunk of the takings from his new Paris store to help restore windows at the historic St-Germain-des-Près church. To mark the opening of the store in the St-Germain district, the designer has promised to contribute 15 percent of the store's sales in its first three days of operation. That is on top of a donation of 1 million francs (\$160,000) that he has already pledged to restore the windows, his aides say. The church lies across the street from the new Armani store, which opens Thursday.

The actress Melissa Gilbert has won a round in her libel lawsuit against the National Enquirer for publishing her former husband's accusation that she was a "deadbeat mother," as California's Supreme Court refused to block the suit. The former "Little House on the Prairie" star sued in 1996, accusing the supermarket tabloid of libel, invasion of privacy and conspiracy. An appeals court in October overturned an earlier decision to dismiss the lawsuit. In that earlier decision, a Los Angeles judge had said that the 1995 story — based on an interview with her ex-husband, the screenwriter Bob Brinkman — accurately quoted him and that the Enquirer could not be sued for reporting on a subject of public interest.

The director who had Fred Astaire dance on the ceiling in "Royal Wedding" and got Gene Kelly's feet wet in "Singin' in the Rain" will receive an honorary Oscar at the Academy Awards in March. Stanley Dohen, 73, was known as a boy wonder at MGM. As the 21-year-old choreographer of "Anchors Aweigh," he paired Kelly with Jerry the cartoon mouse.

Jim Sheridan's film "The Boxer," starring Daniel Day-Lewis, will launch this year's Berlin film festival next month, festival officials have announced. It will be a welcome return for



UNITED IT STANDS — A visitor to the Whitechapel Gallery in London studying the German artist Thomas Schuette's "United Enemies."

Sheridan to the festival where his "In the Name of the Father" — also with Day-Lewis — won the Golden Bear in 1994. The festival opens on Feb. 11. The actors Leonardo DiCaprio and Johnny Depp, who starred together in the film "What's Eating Gilbert Grape?" will be the guests of honor at this year's Paris film festival. Sean Penn, who is in the latest Oliver Stone movie "U-Turn," which has just hit French screens, will chair the jury. The festival runs from March 30 to April 6.

Jean-Claude Van Damme must pay \$112,000 each month to support his 2-year-old son and estranged wife, a Los Angeles judge has ruled. The action film star's wife, Darcy LaPier, cited irreconcilable differences when she filed for divorce in June 1996. A reconcil-

ation followed; she cited physical and mental abuse when she filed for divorce again last year. She went to a judge this month to obtain an order for \$27,000 in monthly child support and \$85,000 per month in spousal support while divorce proceedings continue.

Snoop Doggy Dogg says he is leaving Death Row Records, the label that made him famous, because he fears being gunned down like fellow rappers Tupac Shakur and Notorious B.I.G. "I definitely feel my life is in danger if I stay in Death Row Records. That's part of the reason why I'm leaving," the rapper, whose real name is Calvin Broadus, told the Long Beach, California, Press-Telegram. Suge Knight is in jail, the president, Dr. Dre left and Tupac is dead. It's telling me that I'm either going to be dead or in jail or I'm going to be nothing." The U.S. rapper Sean (Puff Daddy) Combs has postponed a five-country European tour for the second time because he is exhausted after his recent American tour, his record company said. His tour was scheduled for late last year but was postponed to January and February. He had already canceled the rescheduled London concerts. The other countries on the European tour were France, Germany, Spain and Italy.

Eva Herzigova, the Czech-born supermodel, has been chosen as the face of Givenchy's new perfume, "Extravagance." Givenchy's designer, Alexander McQueen, has created a special outfit for Herzigova to wear in the advertising campaign. "Extravagance" will go on sale in April.

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